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UNDP FINANCIAL AND BUDGETARY MATTERS

Audit reports

Addendum

Audit accounts and audit reports of the executing agencies as at 31 December 1993

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UNITED NATIONS DEVELOPMENT PROGRAMME

Summary of the Unaudited/Audited Status of Funds Submitted by the Executing Agencies
as at 31 December 1993 (expressed in US Dollars)

Operating Fund	UNHQS	ECA	ECE	ECLAC	ESCAP	ESCWA	UNCTAD	UNCHS	ILO
Balance at 1 January 1993	(17,529,080)	(5,216,667)	240,089	96,960	(2,298,753)	194,018	918,144	(5,867,784)	(13,051,879)
Add: Cash drawings from UNDP	50,127,230	2,925,000	(126,000)	200,000	656,283	(402,000)	4,138,072	11,915,846	46,850,000
IOVs	83,219,384	6,673,200		1,511,403	2,963,506	150,564	4,888,498	20,278,516	26,823,257
Other charges (net)	(46,581,818)		(2,000)	(586,119)	(169,822)	(1,200)	55,180	(1,883,969)	(8,828,363)
Miscellaneous income and exchange adjustments (net)	(222,185)	(14,400)	(1,370)		7,312	371	42,229	(3,264,315)	(206,263)
Miscellaneous items refunded to (by) UNDP (net)	299,624		(8,385)	38,465	(665)	1,700	(116,503)		(99,219)
	69,313,155	4,367,133	102,334	1,260,709	1,157,861	(56,547)	9,925,620	21,178,294	51,487,533
Deduct: Expenditure during 1993 –									
For projects: Disbursements	48,480,298	1,995,345	75,527	697,037	457,611	28,746	7,003,691	16,269,372	50,022,574
Unliquidated obligations	15,074,761	1,084,633	10,148	127,580	639,373	18,586	1,955,122	6,000,078	1,524,045
For programme support costs	5,946,209	400,397		107,200	124,614	5,932		2,857,185	4,921,170
Administrative and Operational Services	1,204,562		12,228				1,179,791		850,714
Sectoral support									
Proceeds from sale of equipment									
UCD programme									
Additional audit services									
	70,685,830	3,480,375	97,903	931,817	1,221,598	53,264	10,138,604	25,126,635	57,318,503
	(1,372,675)	886,758	4,431	328,892	(63,737)	(109,811)	(212,984)	(3,948,341)	(5,830,970)
Add/Subtract: Adjustments to prior years' –									
Expenditure		1,073,935							
Programme support costs		139,611							
AOS									
	0	1,213,546	0	0	0	0	0	0	0
Balance at 31 December 1993	(1,372,675)	2,100,304	4,431	328,892	(63,737)	(109,811)	(212,984)	(3,948,341)	(5,830,970)
Represented by:									
Cash at bank, on hand and in transit	6,666,085		13,799		938,396	66,641	186,762	1,001,417	(4,509,775)
Due from other Funds				378,388					
Accounts Receivable	18,688,795	4,286,455	244,880	132,911	331,685	12,812	4,266,758	3,529,154	2,126,688
Deferred Charges		274,410							
	25,354,880	4,560,865	258,679	511,299	1,270,081	79,453	4,453,520	4,530,571	(2,383,087)
Deduct: Due to other Funds									
Accounts Payable	11,652,794	1,375,928	244,100		694,445	170,678	2,711,382	2,478,834	1,923,838
1993 Unliquidated Obligations	15,074,761	1,084,633	10,148	182,407	639,373	18,586	1,955,122	6,000,078	1,524,045
	26,727,555	2,460,561	254,248	182,407	1,333,818	189,264	4,666,504	8,478,912	3,447,883
Balance as above	(1,372,675)	2,100,304	4,431	328,892	(63,737)	(109,811)	(212,984)	(3,948,341)	(5,830,970)

Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made by UNDP on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

* Represents Unaudited Balances at 31 December 1993.

UNITED NATIONS DEVELOPMENT PROGRAMME
Summary of the Unaudited/Audited Status of Funds Submitted by the Executing Agencies
as at 31 December 1993 (expressed in US Dollars)

	FAO	UNESCO	ICAO	World Bank	IFC	IMF	WHO	UPU	ITU
Operating Fund									
Balance at 1 January 1993	(5,640,367)	427,748	(2,033,061)	(4,152,398)	(113,009)	(529,750)	(2,481,938)	(25,587)	(2,099,055)
Add: Cash drawings from UNDP	41,621,000	5,504,000	18,580,000	59,000,000	7,500,000	4,900,000	16,300,000	752,215	8,530,000
IOVs	83,096,937	22,323,676	9,025,158	3,538,040	90	2,152,647	5,021,493	1,720,981	7,412,545
Other charges (net)	(15,242,630)	(11,278,120)	(3,781,853)	(6,394,128)	3,972,164	(78,129)	(2,493,294)	(78,132)	(5,693,006)
Miscellaneous income and exchange adjustments (net)	(318,848)	(86,671)	(155,608)	311,954	(25,692)		(50,098)	(21,546)	(21,324)
Miscellaneous items refunded to (by) UNDP (net)	490,897	34,591	(35,078)	(11,219)			205,765	5,594	1,263
	104,006,761	16,925,224	21,599,558	52,292,251	11,333,573	6,444,768	16,501,930	2,353,555	8,130,423
Deduct: Expenditure during 1993 –									
For projects: Disbursements	87,517,781	12,402,524	19,404,206	41,789,230	8,313,541	6,074,168	13,245,866	1,166,345	6,286,093
Unliquidated obligations	7,299,095	5,318,186	3,561,877	4,083,023	404,065		2,242,096	290,642	843,379
For programme support costs	10,536,946	1,362,503	2,832,426	2,413,349	805,056	789,642	1,638,724	312,537	1,812,762
Administrative and Operational Services	904,465	629,589		2,099,450	139,892				
Sectoral support			2,867						
Proceeds from sale of equipment			(1,972,588)						
UCD programme									
Additional audit services									
	106,258,287	19,712,802	23,828,700	50,385,052	9,662,554	6,863,810	17,126,686	1,769,524	8,942,234
	(2,251,526)	(2,787,578)	(2,229,142)	1,907,199	1,671,019	(419,042)	(624,756)	584,031	(811,811)
Add/Subtract: Adjustments to prior years* –									
Expenditure	436,059		(59,229)	65,735	(40,257)	312,685			
Programme support costs	27,000			2,058	(4,428)				
AOS									
	463,059	0	(59,229)	67,793	(44,685)	312,685	0	0	0
Balance at 31 December 1993	(1,788,467)	(2,787,578)	(2,288,371)	1,974,992	1,626,334	(106,357)	(624,756)	584,031	(811,811)
Represented by:									
Cash at bank, on hand and in transit	431,652	2,080,598	1,885,852	7,923,051	2,298,819			299,786	157,243
Due from other Funds			1,143,055			355,149			
Accounts Receivable	13,246,455	2,193,503	1,941,592	3,141,109	2,027,105		1,617,340	1,019,632	1,060,925
Deferred Charges									
	13,678,107	4,274,101	4,970,499	11,064,160	4,325,924	355,149	1,617,340	1,319,418	1,218,168
Deduct: Due to other Funds			291,794						
Accounts Payable	8,167,479	1,743,493	3,405,199	5,006,145	2,295,525	461,506		444,745	1,186,600
1993 Unliquidated Obligations	7,299,095	5,318,186	3,561,877	4,083,023	404,065		2,242,096	290,642	843,379
	15,466,574	7,061,679	7,258,870	9,089,168	2,699,590	461,506	2,242,096	735,387	2,029,979
Balance as above	(1,788,467)	(2,787,578)	(2,288,371)	1,974,992	1,626,334	(106,357)	(624,756)	584,031	(811,811)

Explanatory Note

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made by UNDP on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

* Represents Unaudited Balances at 31 December 1993

UNITED NATIONS DEVELOPMENT PROGRAMME
Summary of the Unaudited/Audited Status of Funds Submitted by the Executing Agencies
as at 31 December 1993 (expressed in US Dollars)

Operating Fund	WMO	IMO	WIPO	UNIDO	IAEA	WTO	ADB	AsDB	ITC
Balance at 1 January 1993	(368,054)	371,554	(294,127)	(17,382,472)	343,868	7,678	151,391	(1,409,253)	683,475
Add Cash drawings from UNDP	1,309,015	2,209,877	330,000	40,001,455	(3,598,060)	1,870,000	60,000	5,800,000	2,974,177
IOVs	8,922,797	1,671,778	1,828,590	26,641,098	3,868,370	492,128	11,728	304,359	3,109,597
Other charges (net)	(698,821)	64,550	(150,487)	(10,161,032)	587,505	(311,750)	8,877	44,412	(718,134)
Miscellaneous income and exchange adjustments (net)	(47,700)	15,536	1,802	(40,828)		7,593	11,244	6,827	(11,389)
Miscellaneous items refunded to (by) UNDP (net)	(386)	1,427	187	(569,252)	3,456			64,560	24,944
	9,116,851	4,334,529	1,715,745	38,489,167	1,205,139	2,065,649	243,240	4,814,905	6,062,670
Deduct Expenditure during 1993 –									
For projects: Disbursements	5,803,270	2,241,918	1,280,972	32,256,232	764,489	1,336,111	256,368	3,160,778	4,035,520
Unliquidated obligations	1,517,167	445,684	178,007	11,142,613	240,048	343,895		1,774,684	1,252,705
For programme support costs	819,893	590,959	138,167	5,079,288	146,931	369,601	33,328	641,610	
Administrative and Operational Services	101,396		83,302	214,508	60,077				1,157,921
Sectoral support	681,326		98,962		18,023				
Proceeds from sale of equipment									
UCD programme				4,527,253					
Additional audit services								15,000	
	8,923,052	3,278,561	1,778,410	53,219,894	1,229,566	2,049,607	289,696	5,592,072	6,446,146
	193,799	1,055,968	(62,665)	(14,730,727)	(24,427)	16,042	(46,456)	(777,167)	(383,476)
Add/Subtract: Adjustments to prior years'* –									
Expenditure							75,940		
Programme support costs				15,645			9,872		
AOS				(10,582)					
	0	0	0	5,063	0	0	85,812	0	0
Balance at 31 December 1993	193,799	1,055,968	(62,665)	(14,725,664)	(24,427)	16,042	39,356	(777,167)	(383,476)
Represented by:									
Cash at bank, on hand and in transit	466,277	526,570	17,048	722,462	213,800	378,371	124,407	786,738	84,238
Due from other Funds									
Accounts Receivable	1,762,916	1,180,741	130,507	14,718,237	122,263	14,876	1,153	968,804	1,461,472
Deferred Charges									
	2,229,193	1,707,311	147,555	15,440,699	336,063	393,247	125,560	1,755,542	1,545,710
Deduct Due to other Funds									
Accounts Payable	518,227	205,659	34,213	19,023,750	120,444	33,310	86,204	758,025	676,481
1993 Unliquidated Obligations	1,517,167	445,684	178,007	11,142,613	240,048	343,895		1,774,684	1,252,705
	2,035,394	651,343	210,220	30,166,363	360,490	377,205	86,204	2,532,709	1,929,186
Balance as above	193,799	1,055,968	(62,665)	(14,725,664)	(24,427)	16,042	39,356	(777,167)	(383,476)

Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made by UNDP on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

* Represents Unaudited Balances at 31 December 1993

UNITED NATIONS DEVELOPMENT PROGRAMME
Summary of the Unaudited/Audited Status of Funds Submitted by the Executing Agencies
as at 31 December 1993 (expressed in US Dollars)

Operating Fund	AFESD*	UNITAR*	EBRD	SUBTOTAL	GOVERNMENTS	OPS	TOTAL
Balance at 1 January 1993	(601,947)	248,202	0	(77,408,014)	30,030,458	(93,374,058)	(140,751,614)
Add: Cash drawings from UNDP	1,080,697	994,060	583,000	332,587,667	412,380,064		744,967,731
IOVs				327,648,326		158,993,219	486,641,545
Other charges (net)		13,372		(110,384,516)			(110,384,516)
Miscellaneous income and exchange							0
adjustments (net)		30,713	1,536	(4,053,118)		(58,399)	(4,111,515)
Miscellaneous items refunded to (by)							0
UNDP (net)				331,318		(14,611)	316,705
	478,750	1,286,347	584,536	468,721,663	442,410,522	65,546,151	976,678,336
Deduct: Expenditure during 1993 –							
For projects: Disbursements	742,705	711,402	424,497	374,424,217	411,210,286	130,329,903	915,964,406
Unliquidated obligations			22,011	67,371,301		36,629,757	104,001,058
For programme support costs		8,796		44,495,227		12,139,245	56,634,472
Administrative and Operational Services			44,651	8,682,546		5,595,091	14,277,637
Sectoral support				802,268			802,268
Proceeds from sale of equipment				(1,972,568)			(1,972,568)
UCD programme				4,527,253			4,527,253
Additional audit services				15,000			15,000
	742,705	720,198	491,159	498,345,244	411,210,286	184,693,996	1,094,249,526
	(263,955)	566,149	93,377	(29,623,581)	31,200,236	(119,147,845)	(117,571,190)
Add/Subtract: Adjustments to prior years' –							
Expenditure				1,864,868			1,864,868
Programme support costs				189,738			189,738
AOS				(10,562)			(10,562)
	0	0	0	2,044,044	0	0	2,044,044
Balance at 31 December 1993	(263,955)	566,149	93,377	(27,579,537)	31,200,236	(119,147,845)	(115,527,146)
Represented by:							
Cash at bank, on hand and in transit			115,388	22,857,625		4,579,395	27,437,020
Due from other Funds				1,876,592			1,876,592
Accounts Receivable	(263,955)	566,149		80,548,962	36,415,962	3,998,800	120,963,724
Deferred Charges				274,410			274,410
	(263,955)	566,149	115,388	105,557,589	36,415,962	8,578,195	150,551,746
Deduct: Due to other Funds				291,994			291,994
Accounts Payable				65,419,004	5,215,726	91,096,283	161,731,013
1993 Unliquidated Obligations			22,011	67,426,128		36,629,757	104,055,885
	0	0	22,011	133,137,126	5,215,726	127,726,040	266,078,892
Balance as above	(263,955)	566,149	93,377	(27,579,537)	31,200,236	(119,147,845)	(115,527,146)

Explanatory Note:

The amounts credited to the above Operating Fund Statements are recorded on a cash basis, i.e. cash actually remitted or payments already made by UNDP on behalf of the executing agencies. Expenditure, however, is recorded on an accrual basis, i.e. includes unliquidated obligations for which the executing agencies will receive the necessary funds from UNDP at or near the time of disbursement. At any reporting date, therefore, the expenditure incurred normally exceeds the funds received and for this reason the balance of funds is normally negative.

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STATEMENT VI

TECHNICAL CO-OPERATION ACTIVITIES a/

Combined statement of income and expenditure for the biennium 1992-1993 ended 31 December 1993

(United States dollars)

	United Nations	Regional Commission for Africa	Regional Commission for Asia and the Pacific	Regional Commission for Europe	Regional Commission for Latin America and the Caribbean	Regional Commission for Western Asia	UNCTAD	UNCHS	Total 1993	Total 1991
Income										
Allocations	233,028,065	24,624,134	13,043,490	1,859,114	8,730,992	3,557,213	23,532,078	69,729,802	378,104,888	535,751,488
Contributions	40,639,941	814,606	18,896,192	148,000	13,026,784	67,607	24,379,939	673,250	98,646,319	88,148,536
Interest income	1,865,221	494,167	857,956	307	386,287	12,277	533,301	-	4,149,516	5,137,312
Miscellaneous income	1,059,967	1,825	-	96	-	-	117,176	-	1,179,064	1,553,447
Total income	276,593,194	25,934,732	32,797,638	2,007,517	22,144,063	3,637,097	48,562,494	70,403,052	482,079,787	630,590,783
Expenditure										
Staff and other personnel costs	144,926,871	18,684,538	15,692,356	1,203,431	14,897,403	2,907,553	26,936,729	28,006,014	253,254,895	290,596,965
Travel	6,714,104	2,415,324	1,822,883	141,843	1,395,500	417,314	4,833,284	2,387,460	20,127,712	27,973,211
Contractual services	21,247,239	1,012,314	1,486,997	100,707	500,681	9,054	384,021	17,266,283	42,007,296	42,010,962
Operating expenses	12,516,862	952,764	2,411,855	87,031	916,652	76,474	1,351,419	2,925,878	21,238,935	28,983,344
Acquisitions	32,751,258	575,517	453,722	43,347	582,597	1,037	1,874,059	9,014,388	45,295,925	81,815,819
Fellowships	26,815,511	2,569,000	7,036,993	287,830	2,534,974	146,785	4,619,908	3,863,543	47,874,544	91,558,955
Total project costs	244,971,845	26,209,457	28,904,806	1,864,189	20,827,807	3,558,217	39,999,420	63,463,566	429,799,307	562,939,256
Programme support costs	25,946,673	2,848,343	3,358,944	114,551	2,285,581	82,289	4,599,486	6,857,878	46,093,745	64,850,126
Total expenditure	270,918,518	29,057,800	32,263,750	1,978,740	23,113,388	3,640,506	44,598,906	70,321,444	475,893,052	627,789,382
Excess of income over expenditure	5,674,676 Schedule 6.4	(3,123,068) Schedule 6.7	533,888 Schedule 6.8	28,777 Schedule 6.9	(969,325) Schedule 6.10	(3,409) Schedule 6.11	3,963,588 Schedule 6.5	81,608 Schedule 6.6	6,186,735	2,801,401

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STATEMENT VI (concluded)

TECHNICAL CO-OPERATION ACTIVITIES

Combined statement of assets and liabilities as at 31 December 1993

	United Nations	Regional Commission for Africa	Regional Commission for Asia and the Pacific	Regional Commission for Europe	Regional Commission for Latin America and the Caribbean	Regional Commission for Western Asia	UNCTAD	UNCHS	Total 1993	Total 1991
Assets										
Cash	41,429,247	3,950,628	22,391,783	17,246	3,343,095	216,104	11,854,900	3,997,021	87,200,024	96,655,039
Pledged contributions unpaid	209,325	2,759,761	–	–	503,628	–	–	369,488	3,842,202	6,014,981
Accounts receivable	2,726,097	35,731	362,722	17,650	163,503	20,584	4,278,115	934,609	8,539,011	8,161,630
Unspent allocations	131,196,424	797,395	8,280,367	1,784,737	3,217,195	370,385	11,240,399	8,662,569	165,549,471 b/	204,188,637
Due from funding agencies	13,635,403	982,203	550,118	–	–	147,121	523,569	14,582,168	30,420,582	34,278,825
Due from United Nations General Fund	13,955,008	4,134,894	–	227,230	871,171	31,342	–	–	19,219,645	8,463,836
Due from special accounts for programme support costs	–	–	–	–	–	–	–	–	–	10,345
Deferred charges and other assets	11,992,442	274,410	210,760	–	–	–	305,910	65,392	12,848,914	25,989,162
Total assets	215,143,946	12,935,022	31,795,750	2,046,863	8,098,592	785,536	28,202,893	28,611,247	327,619,849	383,762,455
Liabilities										
Accounts payable	16,827,756	2,530,573	7,979,177	71,806	106,616	210,552	2,424,955	6,098,976	36,250,411	32,897,184
Unliquidated obligations	30,074,755	2,201,703	2,352,519	34,992	652,889	55,276	3,714,476	10,075,402	49,162,012	67,519,486
Commitments for future years	7,316,547	–	210,760	–	–	–	–	–	7,527,307	18,499,614
Due to special accounts for programme support costs	–	–	–	–	–	–	216,638	1,923,829	2,140,467	3,778,166
Due to United Nations General Fund	–	–	215,546	–	–	–	1,644,136	822,008	2,681,690	2,326,588
Due to funding agencies	–	2,100,304	53,807	126,551	587,442	6,987	–	–	2,875,091	738,734
Deferred income	144,601,823	797,611	19,450,507	1,784,737	3,217,195	370,385	11,276,732	8,734,508	190,233,498	228,243,632
Total liabilities	198,820,881	7,630,191	30,262,316	2,018,086	4,564,142	643,200	19,276,937	27,654,723	290,870,476	354,003,404
Fund balance										
Balance available 1 January 1992	8,268,691	10,004,010	999,546	–	4,503,775	145,745	4,962,368	874,916	29,759,051	26,957,650
Prior period adjustment	16,068	(1,576,111)c/	–	–	–	–	–	–	(1,560,043)	–
Transfer from other funds	2,363,630 d/	–	–	–	–	–	–	–	2,363,630	–
Excess of income over expenditure	5,674,676	(3,123,068)	533,888	28,777	(969,325)	(3,409)	3,963,588	81,608	6,186,735	2,801,401
Balance available 31 December 1993	16,323,065	5,304,831	1,533,434	28,777	3,534,450	142,336	8,925,956	956,524	36,749,373	29,759,051
Total liabilities and fund balance	215,143,946	12,935,022	31,795,750	2,046,863	8,098,592	785,536	28,202,893	28,611,247	327,619,849	383,762,455

a/ See notes 1 (m) and 8

b/ Comprises unspent allocations from UNDP and UNFPA plus unspent allocations in respect of UNDP - and UNFPA - administered trust funds

c/ Unpaid pledges totalling $1,576,111 for the African Institute for Economic Development and Planning which were included among the ECA Trust Funds have been deleted

d/ The amount of $3,313,464 was transferred from the Trust Fund for New and Renewable Sources of Energy and $868,935 was transferred from the Trust Fund for Disaster Relief with the agreement of the donors and $1,818,769 was transferred to the Trust Fund for Educational and Training Programme for Southern Africans

The accompanying notes are an integral part of the financial statements

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENTS RELATING TO THE PARTICIPATION OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION (UNIDO) AS AN EXECUTING AGENCY IN THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) AND IN THE UNDP-ADMINISTRATED TRUST FUNDS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 1993.

GENERAL

1. The statements and supporting schedules relating to the participation of UNIDO in the United Development Programme are in the form prescribed by UNDP. My examination of them has been carried out in conjunction with my audit of the regular budget and subsidiary funds of UNIDO. It included a general review of the accounting procedures and such tests of the accounting records as I considered necessary.

2. The purpose of the audit was to enable me to form an opinion as to whether transactions were properly classified and recorded in accordance with UNDP's instructions and with UNIDO's Financial Regulations and Rules, and whether the status of Funds Statements presented fairly the financial position as at 31 December 1993.

3. Our audit examination also included:

- a follow-up review of the status of unliquidated obligations as at 31 December 1993;
- a review of the financial completion of projects;
- an in situ inspection of field offices in Bangkok (Thailand) and in Jakarta (Indonesia).

4. My audit exercise did not reveal errors material to the accuracy, completeness and validity of the Financial Statements. As a result, I was able to place an unqualified opinion on these Statements as at 31 December 1993.

SUMMARY OF FINDINGS

5. Our follow-up review of the unliquidated obligations of the UNDP operating fund indicated that in 1992 and 1993, the share of unliquidated obligations in the total expenditures compares favourably with the corresponding figures for previous years and efforts were made to process Field Interoffice Vouchers (FIOV) in a more timely manner. The audit exercise, however, also revealed that the existing procedures for the review of the validity of the unliquidated obligations at the end of the accounting period are still not completely adhered to and that the elaboration of new procedures, ensuring a more effective financial administration, is necessary.

6. We observed that the financial completion of projects needs to be speeded up. We appreciate that, in line with our recommendations new instructions and procedures have been established in this respect. Although, with 1992, the situation has improved remarkably

in 1993, we recommended that further efforts should be made to get all projects financially completed within twelve months and after their operational completion.

7. A field audit revealed that UNIDO did not draw up an industrial programme for the Republic of Indonesia as prescribed in the Handbook for UNIDO Field staff and that there is a real impact of UNIDO's contribution to the UNDP programming mechanism, resulting in a limited amount of Indicative Planning Figures (IPF) projects assigned to UNIDO.

8. For a project in Indonesia, on which UNIDO and the Government placed high priority, no IPF funds were available from UNDP Headquarters. This case clearly demonstrates the weakness of the former tripartite relationship marked by a prolonged project identification and formulation process, often resulting in a mere loss of effort and money, as well as in considerable frustration experienced by all parties involved.

9. From the examination of procedures for the management of projects and an audit of thirteen projects in the field, we noticed that, in general, projects are administered satisfactorily and in conformity with UNDP and UNIDO guidelines. Our audit revealed, however, that most of the projects reviewed could not be implemented as scheduled in the project documents and within the initial project budget. We therefore brought a few areas to the attention of management where, in our view, the Organization should take action.

FINANCIAL MATTERS

Unliquidated obligations - UNDP operating fund

10. Our follow-up review of the unliquidated obligations of the UNDP Operating Fund indicated that the amount of unliquidated obligations as at 31 December 1993 compares favourably with the corresponding figures for previous years (see Table below).

Table
UNIDO
UNDP Operating Fund
Status of expenditures 1989-1993
(in US dollars)

YEAR	UNLIQUIDATED OBLIGATIONS	EXPENDITURE	PERCENTAGE
(a)	(b)	(c)	(d)
1989	33,193,764	90,188,554	36.8
1990	39,829,606	108,631,267	36.7
1991	30,813,579	86,876,391	35.5
1992	19,947,314	67,328,372	29.6
1993	12,884,793	63,508,336	20.2

11. We noted that the efforts made during 1992 and 1993 for a more timely processing of FIOV resulted in a reduction of the volume of outstanding unliquidated obligations. Computer printouts of the subsidiary ledger system show a substantial decrease of the value of the FIOV to be processed at year-end ($ 27,8 million as at 31 December 1991; $ 13,5 million as at 31 December; 1992 and $ 6,1 million as at 31 December 1993).

12. However, as is evidenced in Report 4 annexed to Statement I of the UNDP Operating Fund, still 43 per cent of the total expenditure for subcontracts consists of unliquidated obligations. This can be considered as rather high, taking into account the guidelines specifying the applicable accounting principles for recording unliquidated obligations, set forth in the Notes to the accounts for the year 1993 (cf. Note 1, p, vii). Pursuant to these Notes an obligation can be sustained on the basis of the payment schedule included in the signed contract with the contractor, or where no payment schedule exists on the basis of the estimated timing for payments. In our opinion, if payment schedules for subcontracts are estimated in a realistic manner, unliquidated obligations should normally be exceptional.

13. Our audit revealed, moreover, that the instructions for the closure of the accounts and the review of outstanding obligations, distributed by Financial Services to all Certifying Officers were not always adhered to. Thus, the status of unliquidated obligation, as at 31 December 1993, could not be reviewed in a proper manner by Purchase Section due to a shortage of staff. Furthermore purchase orders are not stamped - to indicate the budget year to which the obligations relate - as prescribed in the aforementioned instructions. We insisted that in future the instructions should be strictly adhered to and we suggested furthermore that for technical cooperation expenditure all Certifying Officers should, at least, be instructed to confirm in writing - as is already the case for the regular/operational budget - that all obligations contained in the list of unliquidated obligations as at 31 December meet the criteria set out in the annexes to the instructions.

14. Financial Services Management considered that APS (Accounts and Payments Section) Staff should not be held responsible if Certifying Officers for whatever reason do not comply with the requirement to carefully review unliquidated obligations. It added that the limited staff resources in APS do not permit constant follow-up with individuals. It furthermore explained that the stamping-procedure, prescribed in the instructions, is too time-consuming and has been replaced by a computer managed system, and indicated that the instructions will be modified accordingly. Finally our request for the provision of written confirmation by Certifying Officers of the validity of unliquidated obligations in respect of technical cooperation projects will also be included.

15. In this respect we want to point out once more that in conformity with Financial Regulation 9.1 (i) the Director-General shall establish detailed Financial Rules and procedures in order to ensure the effective financial administration, meaning the correctness of the accounting treatment of the financial transactions in compliance

with the accounting policies and practices as set forth in the Notes to the Financial Statements. Moreover, we refer to the UNDP instructions of 1 November 1993 with respect to the 1993 year-end closure of accounts of UNDP and UNDP-administered Trust Funds which stress the need for agencies to give particular attention to the validity of unliquidated obligations.

Financial Completion of projects

16. According to the UNDP Programme and Projects Manual (PPM) all projects are to be financially completed within twelve months after their operational completion.

17. We found, however, that these requirements have not always been complied with by Financial Management of Technical Cooperation Unit (FMTC). From computer printouts on the status, as at 31 August 1992, of projects with a value higher than $ 150,000 we learned that at least twenty six projects, operationally completed since more than twelve months, were still not completed financially.

18. In this regard we drew attention to the fact that programme management, analysis and reporting functions would benefit if all projects were financially completed within a reasonable period of time after their operational completion and when the ongoing projects data base contained no longer a large number of projects that have in fact already been completed for some time. We stated moreover that it is a prerequisite for sound management that statements of final accounts which are required by donors be provided promptly and as accurately as possible.

19. We noted furthermore that the latest instructions issued within UNIDO to ensure the above mentioned requirements, dated back to the year 1981, that they were not adapted to the actual organizational structure of UNIDO and its Electronic Data Processing (EDP) system and that most s/ms designated and responsible for project control did not even know of their existence.

20. A sample review also revealed a number of inaccuracies and inconsistencies with respect to the financial completion of projects.

21. In the light of these findings we recommended that new instructions should be issued to provide essential information and guidance on the procedures and practical arrangements for UNIDO staff in carrying out their responsibilities with respect to the financial completion of projects.

22. We appreciate that in line with our observations updated directives have been issued in November 1992. This may help to overcome the deficiencies observed during our audit exercise.

23. Finally, a follow-up review of the status of the projects with a value higher than $ 150,000 revealed that, as at December 1993, still fourteen projects were classified in the "operationally completed" status since more than twelve months.

24. Although the situation in 1993 has improved remarkably compared with 1992, we recommend that further efforts should be made to get all projects financially completed in a timely manner.

TECHNICAL COOPERATION ACTIVITIES

25. In February and March 1993 we carried out a field audit of the country programming and project identification/formulation activities as well as of nine and four UNDP funded projects in Thailand and Indonesia respectively. Our examinations included reviews of project documents (prodoc.), financial records and administrative arrangements for the projects. Discussions were held with UNDP Resident Representatives (Res.Rep.), UNIDO Country Directors (UCD) and Junior Professional Officers (JPO).

Country Programming

26. Under the instruction concerning country programming, UNIDO draws up its own programme of assistance for the industrial sector of each developing country (cf. Handbook for UNIDO Field Staff, pp. 50-51). For UNIDO the task of country programming involves identifying those areas of activity that would make the most positive impact on industrial development, which measures would be required to bring that about, and exactly how external assistance could contribute to an effective outcome.

27. On request of UNDP, UNIDO has prepared in November 1990 an Industrial Sector Report providing an overall review of Thailand's state of industrial development and major prospects and constraints in a medium-term perspective, as well as, recommendations on development objectives to be supported in the UNDP Fifth Country Programme (CP-V) (1992-1996).

28. We fully appreciate this UNIDO report, providing a structured framework for identifying the needs of Thailand and later project formulation.

29. For the Republic of Indonesia, no such programme was established at the time of our audit. We recommended that instructions concerning the establishment of a country programme should be respected in any case, especially as this exercise appears to fit in with the new emphasis on policy analysis called for under the new UNDP "Successor arrangements for agency support costs".

30. We also stated a lack of real impact of UNIDO's contribution to the UNDP programming mechanism, resulting in a limited amount of IPF projects assigned to UNIDO especially in Indonesia.

31. As shown below the amount of IDF projects executed by UNIDO in Indonesia, decreased seriously in the current Country Programme, compared to previous programmes:

First Country Programme	(34 projects):	$ 6,308,490
Second Country Programme	(6 projects):	$ 11,834,922
Third Country Programme	(19 projects):	$ 13,815,425
Fourth Country Programme	(1 project):	$ 693,000

32. We therefore recommended that UNIDO should thoroughly investigate this situation in order to devise a strategy for further enhancing its input in UNDP and national programming exercises.

33. In this respect Management explained that UNIDO staff dealing with programming matters had carried out a mission to Indonesia in December 1988 and that their mission report was discussed at an interministerial consultation meeting, attended by UNDP and UNIDO. While the UNDP Res.Rep. at that time was supportive of UNIDO's programming work, his successor took a different course of action and seemed to ignore proposals discussed with his predecessor. It further drew attention to the fact that UNDP successor arrangements, including policies concerning government execution, which were taking effect beginning 1992 affected approval rates experienced by all agencies in all countries, not only in Indonesia. UNIDO's attempts to adjust to UNDP's new priority areas, i.e., participation in UNDP's Environmental Mission in order to develop an industrial pollution prevention programme and several TSS 1 proposals geared towards environment, poverty alleviation and human resources development were not positively considered by UNDP.

34. Management also stated that UNIDO's problems regarding the impact on UNDP's programming exercise have created conditions requiring a more flexible and active approach and that after successful implementation of current efforts to restructure and streamline UNIDO, the Organization should be able to tackle these challenges.

Project identification and formulation

35. Our audit further revealed that at the request of the UNDP Res.Rep. in Indonesia, a project identification/ formulation mission was carried out by a UNIDO team in February/March 1990 in order to identify new activities to be developed under the Fourth Country Programme. As a result twenty new projects were proposed, with total estimated UNDP inputs of $ 24,926,000.

36. At the time of our audit only one of the listed projects (DP/INS/90/019 - Assistance towards modernization of foundry industry - in the amount of $ 693,000) was approved for UNDP funding.

37. Another project (INS/91-001 - Assistance to PT BARATA Phase II - in the amount of $ 1,618,000) was refused for IPF funding by UNDP Headquarters in March 1993. The original Phase I (project DP/INS/018) was approved on 21 April 1988 and completed in October 1990 (UNDP input: $ 2,139,650). The need for a follow-up phase was not only strongly recommended by the above mentioned mission but also by

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the July 1990 evaluation mission during the Terminal Tripartite Review (TTR) (completed in October 1990) and subsequently, in a series of meetings involving all parties concerned. In spite of unanimous agreement to minimize the gap, the final Phase II prodoc. was sent to UNDP for approval only in August 1992. On 17 March 1993, the Res. Rep. of Indonesia was informed by UNDP Headquarters that the Regional Bureau for Asia and the Pacific was unable to endorse the proposed project for consideration by the Action Committee for the following reasons:

i) the objectives of the proposed Phase II are essentially the same as those of Phase I, the only difference being the expansion of project activities from a pilot to a plant-wide basis;

(ii) the proposal neither addresses the programme focus advocated by Governing Council decision 90/3 nor the priority programme areas of the Fourth country Programme in a direct and explicit manner;

(iii) its design involves no innovative features, but is rather a traditional type of technical assistance project; and

(iv) it does not in any way attempt to pursue the programme approach.

38. In this context, the UCD explained that the UNDP Fifth Country Programme (1992-1996) in Indonesia has laid focus on poverty alleviation and environmental management and that the projects recommended by the above mentioned project identification/formulation mission as well as the project proposals formulated by the Indonesian Government itself, were not considered by UNDP to be falling within these priority areas. Moreover, with regard to the use of IPF funds he questioned the relative value or importance of a specific Government request for technical assistance versus the (global) priority areas laid down by the Governing Council of UNDP.

39. In our opinion, the above mentioned findings clearly demonstrate the weakness of the former tripartite relationship marked by a prolonged project identification and formulation process, often resulting in a mere loss of effort and money, as well as in considerable frustration experienced by all parties involved. We therefore recommended that, under the current tripartite relationship, serious efforts should be made in order to minimize unproductive efforts in project identification and formulation.

40. We furthermore emphasized that if the time taken to formulate and approve projects is excessive, the risk exists that, when approved, the projects may no longer meet the requirements prevailing at the time of their conception. Therefore, and in order to meet promptly the needs of the developing countries, it is important to keep the formulation and approval time to a minimum consistent with the need to ensure high quality project design.

41. Management agreed that approval of UNDP projects in Indonesia has been slow, thus resulting in a considerable decline of UNIDO-executed projects. It stated that this is an issue of major concern to UNIDO and that most of the problems can be traced to UNDP policies.

Project management

42. From the examination of procedures for the management of projects and an audit of thirteen projects in the field, we noticed that, in general, projects are administered satisfactorily and in conformity with UNDP and UNIDO guidelines. However, we brought to the attention of Management a few areas where, in our view, the Organization should take action. As such, our audit revealed that most of the projects reviewed could not be implemented as scheduled in the prodoc. because their start and implementation were hampered by

(i) difficulties in identifying and selecting suitable experts and delays in the clearance process by the Government (seven projects);

(ii) delays in delivery and installation of major equipment components (four projects);

(iii) budget constraints (three projects);

(iv) the Government's inability to deliver project inputs on time (one project);

(v) delays and inaccuracies in UNIDO's selection of sub-contractors and the award of the contracts (one project); and

(vi) delay in nominating fellows and participants for study tours (one project).

43. We recognize that UNIDO often has no direct control over factors that cause the delays in Government clearance. Nevertheless, we recommended that UNIDO should try to negotiate measures with the recipient countries to facilitate procedures within a target period deemed appropriate. If deadlines established in the prodoc. are exceeded due to delays in this clearance process, the Government, in any case, must be informed of consequences and should systematically be reminded to speed up its actions. We also suggested to start preparatory work for recruitment of project leaders, Chief Technical Advisers or National Project Directors, prior to the final approval of the prodoc., especially when identification and nomination difficulties can be expected.

44. We noted that in one project, several equipment components did not meet the original specifications and requirements, failed to work or were not completely delivered, what was noticed only after a long period. We therefore pointed out that project leaders should display a sense of responsibility in inspecting and certifying the receipt of items of equipment at the project site and we insisted that recourse action be taken promptly in case equipment is received either damaged or not in accordance with specifications.

45. We also recommended that if a project calls for important and various items of equipment and when it is anticipated that delivery of equipment will take much time, a careful planning of project activities should be undertaken in order to anticipate possible delays and to find alternative solutions. In this regard, good communication and interaction between field staff and UNIDO's Purchase Section and backstopping services would enhance planning and budgeting of project equipment procurement.

46. Finally, we suggested an increased use of formulation or preparatory assistance at the outset of the project in order to arrive at more precise equipment specification at the formulation stage.

47. Our audit also revealed that some project budgets increased considerably during project implementation and that project revisions were caused by e.g. unrealistic estimates of the inputs and their costs at the outset. We therefore stressed that it is of utmost importance that field staff monitor carefully the preparation of the initial project budget and all its subsequent versions and we recommended that appropriate measures be taken to ensure in future a more realistic budgeting and project implementation planning. Accordingly the project document should provide for adequate funding to permit an orderly completion. Inflationary factors and realistic costs for experts and equipment components must be kept in view to avoid funding problems at a later stage which then usually result in compromising on the quality of essential components.

48. We are furthermore of the opinion that a new prodoc. rather then a project revision should be used when (as was the case for one project) it is intended to produce further outputs in order to obtain a higher implementation level or a different objective.

49. With respect to one project we observed that the invitee shortlists of subcontracting firms to be sent to the Government counterpart for clearance should have been prepared more carefully in order to avoid time-consuming modifications afterwards and that UNIDO should also have tried to speed up its own selection process for subcontractors and contract awarding.

50. One of the first steps in the implementation of a project should be to prepare and secure agreement on a detailed workplan as prescribed in the UNDP Programme and Projects Manual. Workplans must also be kept up-to-date with realistic target dates. This is especially important in case the prodoc. is signed several months after the work is scheduled to commence. We noted that for the projects reviewed in the field detailed workplans were prepared by project management at the outset of the project operations but we did not find in the field office files any workplan updates as prescribed in the UNDP instructions.

51. As we found also that in seven of the projects reviewed the rules governing the monitoring and evaluation of projects, spelled out in the Handbook for UNIDO field staff were not always adhered to, we recommended that workplans should include a time-phased schedule for preparation and submission of project progress reports by team

leaders such as: (i) a schedule of tripartite reviews; (ii) a schedule of technical reviews; and (iii) indications how and when evaluations should take place.

52. We fully recognize that Project Performance Evaluation Reports and Tripartite Reviews are important management tools and we therefore insist that the relevant guidelines should be closely adhered to. In this respect it should be emphasized that the timing and preparation of the projects' monitoring and evaluation is mainly the responsibility of the field officers.

53. Our review also disclosed that for several projects the Property Control Forms had not been completed in time. Under the circumstances, we insisted that for every project a physical inventory should be taken as of 31 December or the closest practical day and the completed Property Control Forms should be returned to the Inventory Control and Property Management Unit at Headquarters not later than 31 January of each year.

54. Management replied that it is aware of problems arising from delays in clearance procedures. In its opinion however, clarification and improvement of the situation should be pursued by the UNDP Res.Rep. who may judge direct negotiations of UNIDO with the Government on this issue as an interference with his/her responsibilities and authority. It further stated that some of our observations indicating shortcomings as to the adequacy, effectiveness and efficiency of rules and regulations as well as problems concerning compliance with existing directives were noted by the Internal Audit Service of the Organization which will take them into account when carrying out a series of management audits of the rules and regulations governing the delivery of UNIDO services. The intention of such audits is to systematically review and analyze current practices with a view to improve - where necessary - policies, processes and procedures, hence having an impact on the overall operations of the Organization.

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ACKNOWLEDGEMENT

55. I wish to record my appreciation for the willing cooperation and assistance extended by the Officers and the Staff of UNIDO.

Jeroom L. E. VAN de VELDE
Senior President of the Court of Audit,Belgium

External Auditor

Brussels,

2 June 1994

STATEMENT I

REPORT NO. 1

UNITED NATIONS DEVELOPMENT PROGRAMME

UNIDO

Status of Funds

(expressed in US dollars)

Operating Fund	1992		1993	
Balance at 1 January		(18,601,587)		(17,382,472)
Add: Cash drawings from UNDP	47,395,781		40,001,455	
ICVs	31,552,803		26,641,096	
Other charges/credits (net)	(6,483,173)		(10,161,032)	
Miscellaneous income and exchange adjustments (net)	(232,239)		(40,628)	
Miscellaneous items refunded to UNDP (net)	432,710	72,665,882	(569,252)	55,871,639
		54,064,295		38,489,167
Less: Expenditure				
For projects				
Disbursements	36,854,293		32,256,232	
Unliquidated obligations	18,542,133		11,142,613	
For support costs	7,361,564		5,079,288	
AOS	1,703	65,759,693	214,508	48,692,641
		(11,695,398)		(10,203,474)
Less: UCD programme		5,687,074		4,527,253
		(17,382,472)		(14,730,727)
Add: Adjustments -				
Prior years' support costs			15,625	
Prior years' AOS			(10,562)	5,063
Balance at 31 December		(17,382,472)		(14,725,664)
Represented by:				
Cash at banks, on hand and in transit	1,078,383		722,462	
Accounts receivable	24,172,783	25,251,166	14,718,237	15,440,699
Less: Accounts payable	24,091,505		19,023,750	
Unliquidated obligations	18,542,133	42,633,638	11,142,613	30,166,363
		(17,382,472)		(14,725,664)

CERTIFIED CORRECT

Andrew Ingram
Acting Director, Financial Services

APPROVED

Mauricio de Maria y Campos
Director General

AUDIT OPINION

The above Statement and the related Schedules for the two-year period ended 31 December 1993 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Brussels, 3 May 1994.

Jeroom L.E. VAN de VELDE
Senior President of the
Court of Audit, Belgium

External Auditor

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING THE STATUS OF FUNDS AS AT 31 DECEMBER 1993 ADVANCED TO THE FOOD AND AGRICULTURE ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

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REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING THE STATUS OF FUNDS AS AT 31 DECEMBER 1993 ADVANCED TO THE FOOD AND AGRICULTURE ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

INTRODUCTION

Scope of the Audit

1. I have audited the statements and supporting schedules relating to the participation of the Food and Agriculture Organization (FAO) in the United Nations Development Programme (UNDP) for the period 1 January 1992 to 31 December 1993 in accordance with the Financial Regulations of the FAO and the Additional Terms of Reference Governing External Audit appended thereto.

Audit Objectives

2. The main purpose of the audit was to enable me to form an opinion as to whether expenditure recorded in 1992-93 had been incurred for the purposes approved by the UNDP; whether income and expenditure were properly classified and recorded in accordance with the instructions of the UNDP, together with the Financial Regulations of the FAO; and whether the Status of Funds Statement presented fairly the financial position at 31 December 1993.

3. My audit was carried out in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. These standards require me to plan and carry out the audit so as to obtain reasonable assurance that the Status of Funds Statement is free of material mis-statement. The Organization's management were responsible for preparing the Statement, and I am responsible for expressing an opinion on it, based on evidence collated in my audit.

Audit Approach

4. My examination was based on a test audit in which all areas of the Statement were subject to direct substantive testing of transactions from statistical samples. A final examination was carried out to ensure that the Statement accurately reflected FAO's accounting records and was fairly presented.

5. During the biennium my staff carried out financial audits at FAO headquarters and at Field Projects in the Americas, Africa and Asia and discussed their findings with the Secretariat. The audit included:

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- a broad assessment of internal controls for income and expenditure; bank and imprest accounts; accounts receivable and payable; and supplies and equipment;

- substantive testing of sample transactions for 1992 and 1993; and

- an examination of unliquidated obligations carried forward to 1994-95.

Overall Results

6. My audit examination included a general review and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. These audit procedures are designed primarily for the purpose of forming an opinion on the financial statements. Consequently my work did not involve a detailed review of all aspects of budgetary and financial information systems and the results cannot be regarded as a comprehensive statement on them.

7. My examination revealed no errors in the final Statement considered material to its accuracy, completeness and validity as a whole. I was able to reach this opinion after FAO had made significant amendments in two areas of the Statement, which my staff had brought to their attention (see paragraphs 27 and 103 to 106).

8. A summary of main findings and recommendations on financial matters from the audit is reported at paragraphs 27 to 29. I have set out the detailed findings of the examination at paragraphs 103 to 112.

Review of Management Matters

9. In addition to my audit of the accounts and financial transactions, I carry out reviews under Article 14.4 of the Financial Regulations. These reviews of management matters primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of FAO.

10. In 1992-93 my staff examined the action FAO has taken to remedy problems which arose in 1990-91 on the FINSYS system; and also reviewed FAO's financial control of the UNDP financed Field Programme. I have reported a summary of the main findings and recommendations arising from these reviews at paragraphs 11 to 26. The detailed findings from the examination are set out at paragraphs 30 to 102.

SUMMARY OF MAIN FINDINGS AND RECOMMENDATIONS ON THE ACCOUNTS FOR 1992-93 BIENNIUM

MANAGEMENT MATTERS

PROGRESS ON THE COMPUTERISED FINANCIAL AND PERSONNEL SYSTEMS (FINSYS/PERSYS)

General Conclusion

11. I welcome the progress the FAO has made in reducing backlogs; resolving system imbalances; improving the control environment; and generally developing FINSYS and PERSYS to meet FAO's needs (paragraphs 30 to 36).

On Suspense Account Balances

12. I note that the FAO has reduced balances in suspense accounts, in part through a clearance exercise performed in November 1993. **I recommend that the FAO give priority to the clearance of remaining personnel-related suspense account balances, the identification of new computer edits, and the identification of errors arising from defective programming (paragraphs 37 to 40).**

On System Development Standards

13. I note that the FAO has now adopted an interim version of its own System Development Standards applicable to future development of the FINSYS computer system (paragraph 44).

On System Documentation

14. I note that the FAO has largely dealt with deficiencies in documentation identified in my 1990-91 Report on FINSYS. I consider it essential that the FAO continues to update this documentation (paragraphs 45 and 46).

On Disaster Recovery Procedures

15. The FAO has now formulated a Disaster Recovery Plan, and **I recommend that it implements and tests it as soon as possible; and finalises arrangements for providing emergency support and off-site data storage for key stand-alone computer applications (paragraphs 47 to 48).**

On Proposals to Replace the FINSYS/PERSYS System

16. The Director-General has now placed proposals which include the option of the replacement of FINSYS before Governing Bodies. **I recommend that any replacement system be developed with full documentation, adequate staff training,**

within a framework of strong project management (paragraphs 53 and 54).

OPERATION OF FINANCIAL CONTROLS IN THE FIELD

General Conclusion

17. Around 30 per cent of all expenditure on the UNDP financed Field Programme of the FAO is managed by officers in the field, who have delegated authority from FAO headquarters to authorise and make payments. Despite the difficulties in maintaining tight control over operations undertaken in distant and sometimes poor and rural parts of the world, my staff found that there was, nonetheless, scope for improving compliance with controls and procedures in this important area (paragraphs 55 to 57).

On Monitoring of Expenditure

18. Effective budgetary monitoring, and regular comparisons between local and headquarters records of expenditure represents a key control which can detect errors at an early stage. **I recommend that the FAO ensure that field staff regularly reconcile local records with budgetary outturn information provided by headquarters (paragraphs 62 to 64).**

On Monitoring Unliquidated Obligations

19. Errors are particularly likely to be present in the records of unliquidated obligations. **I recommend that the FAO extend the provision of reports on outstanding obligations to all field projects (paragraphs 65 and 66).**

On Competitive Tendering

20. The use of competitive tendering and of competitive quotations should ensure that the FAO can demonstrate that goods and services have been purchased with due regard to economy. My staff found that many field projects failed to maintain records of suppliers invited to provide quotations, or to document their comparison of quotation received. **I recommend that the FAO require all field projects to provide headquarters with a summary of quotations obtained each time they make a significant purchase (paragraphs 67 to 69).**

On Advances to Governments

21. My staff found that advances made to governments by FAO field projects often remained outstanding for longer than 90 days, and were sometimes charged to project expenditure. **I recommend that the FAO tighten rules governing advances of this kind (paragraphs 72 to 74).**

On Use of Local Suspense Accounts

22. My staff found that some field projects recorded payments against suspense accounts where this was inappropriate, and that in most of the projects visited suspense account items remained uncleared well beyond the permitted limit of 90 days. **I recommend that FAO stress to imprest holders their personal responsibility for these accounts, and give headquarters staff responsibility for monitoring clearance of suspense account items (paragraphs 75 to 81).**

On Accounts Payable

23. FAO recognises that its practice of creating an accounts payable item to reflect headquarters' authorisations of field disbursements gives rise to a risk of duplicate transactions and invalid liabilities. It considers, however, that the FINSYS system constrains it from making an early change. **I recommend that FAO give high priority to reviewing this accounting practice (paragraphs 82 to 84).**

On Control of Physical Assets

24. To improve control and accountability for physical assets held in the field, **I recommend that the FAO issue good practice guides to field staff, and re-examine procedures for the transfer, write off and disposal of assets (paragraphs 85 to 90).**

On Cash Holdings

25. Many of the projects visited by my staff failed to comply fully with the FAO rules and guidance relating to cash holdings. **I recommend that the FAO ensure that field staff comply fully with these rules, particularly concerning the level of cash held, the recording of cash transactions and the periodic check of balances (paragraphs 91 to 94).**

On Financial Training and Guidance For Field Staff

26. Provision of relevant training and guidance is a key factor in ensuring that field expenditure is properly handled. **I recommend that the FAO develop an overall financial training programme for field staff, and that the FAO review and consolidate existing guidance (paragraphs 95 to 102).**

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FINANCIAL MATTERS

On Unliquidated Obligations and Accounts Payable

27. My staff's testing of these two areas revealed an unacceptable level of invalid transactions. Following a substantive review of major transactions in these areas, FAO made adjustments totalling $3.1 million to unliquidated obligations and $225,000 to accounts payable. **I recommend that FAO provide staff with additional guidance on the proper accounting treatment to be followed in these two important areas (paragraphs 103 to 106).**

On United Nations Joint Staff Pension Fund

28. Although an actuarial valuation of the United Nations Joint Pension Fund showed an imbalance equivalent to 0.57 per cent of total pensionable remuneration as at 31 December 1990, the United Nations Pension Board did not recommend to the General Assembly that any additional contributions would be needed. Accordingly, FAO has not provided for a contingent liability to cover any shortfall in contributions (paragraphs 107 and 108).

On Inventories

29. Only 145 out of 380 UNDP funded projects had returned year end inventory reports by 28 June 1994. **I recommend that the FAO takes firm steps to ensure that all projects provide that the necessary year end inventory report on a timely basis (paragraphs 109 and 110).**

DETAILED FINDINGS
MANAGEMENT MATTERS

THE COMPUTERISED FINANCIAL AND PERSONNEL SYSTEMS (FINSYS/PERSYS)

30. In my Report on 1990-91 Status of Funds Statement I examined the FAO's implementation of the FINSYS/PERSYS computer system. This was a complex and ambitious computerisation project, designed and developed over a seven year period, aimed at improving and integrating financial and personnel systems.

31. The FAO had experienced serious problems following the implementation of this system. These included the build up of processing backlogs, a substantial increase in suspense account balances, and identification of fundamental accounting imbalances within the system. These problems were so serious and wide-ranging that I reported my concerns to the Director-General in an interim management letter in August 1991. In response, the Organization initiated

emergency action and mounted an intensive exercise to restore the integrity of their financial records. As a result of this action, I was able to to place an unqualified opinion on the Statement as at 31 December 1991.

32. The performance of the computerised financial accounting system of the FAO has continued to be central to my concerns during the 1992-93 biennium. I have followed closely the efforts of the FAO to deal with the immediate accounting problems identified in the 1990-91 biennium, the underlying short-comings in the control environment, and the areas of limited functionality within the FINSYS system. In so doing, I have drawn on information contained in the Secretariat's paper to the Finance Committee, which reported on the implementation of the recommendations in my 1990-91 Report.

Performance during 1992-93

33. The problems I considered to be most serious during the 1990-91 biennium, and on which I concentrated my comments in my 1990-91 report, related to the development of serious processing backlogs; the build-up of large suspense account balances; the generation of numerous system imbalances; and weaknesses in the overall control environment, such as the absence of a Disaster Recovery Plan, and the poor standard of system documentation. I have examined the attempt made by the Organization to deal with these issues, and am pleased to note that, while problems remain, significant progress has been made in each area.

Processing Backlogs

34. A major constraint upon the successful implementation of the final stages of the FINSYS/PERSYS was the lack of sufficient computer hardware capacity. The system operated at around 90 per cent of capacity from the first few weeks of delivery, and this resulted in slow response times. This contributed greatly to the build-up of unprocessed items, including field imprest returns, claims for payment for travel, and the input of recruitment details.

35. The increase in computer processing capacity achieved in the second half of 1991 played an important role in the reduction of such processing delays. This was complemented by the establishment of new internal reporting arrangements, aimed at bringing the re-emergence of such problems to the early attention of management.

36. These measures have continued to be effective throughout the 1992-93 biennium, when delays in processing were significantly reduced.

Suspense Account Balances

37. A design feature of the FINSYS system is that it generates the appropriate accounting entries for most transactions, based on the detailed information input by staff. This approach means that the staff member does not need to understand and specify the exact account codes required for most transactions processed by FINSYS, and the aim is to increase control over the accounts by reducing the number of incorrect accounting transactions made. To achieve this, the system uses numerous specialised transaction types, and demands considerable detail in order to make appropriate posting decisions.

38. Account postings may be made to a suspense account when the information provided is incomplete, when the information contains incompatible values; or, in some instances, where there is an error in programmed instructions for the treatment of a particular type of transaction. In the early months of the 1990-91 biennium the removal of important computer edits in the Personnel area was a key factor in the dramatic increase in suspense account balances. This allowed entries to be made to the system on which information was incomplete.

39. The restoration of these, and of other computer edits, which prevent the entry of incomplete or incompatible information, has greatly reduced the volume of postings to suspense accounts. To reduce balances on General Ledger codes for suspense accounts and accounts payable FAO carried out a special clearance exercise in November 1993, in which the Finance Division sought the assistance of Internal Audit and the views of my own staff.

40. The FAO has continued its efforts to clear balances on such accounts, and I am pleased to note this has been largely successful. Remaining balances on suspense accounts do not have a material impact on the position reflected in the Status of Funds Statement for the 1992-93 biennium.

System Imbalances

41. During the 1990-91 biennium there were several instances of system imbalances, indicating the presence of serious programming errors which cast doubt on the integrity of data. Such problems were indicative of the inadequacies in system testing to which I referred in my 1990-91 report.

42. There have been fewer such instances during 1992-93, indicating that most of the more serious programming faults have been resolved. The system of assurance routines developed by the Computer and Finance Divisions has helped the FAO take prompt action when such imbalances arise. In

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addition, the Finance Division have taken steps to make detailed adjustments in areas where correction in 1990-91 had only been made at summary level. I welcome this action, which meets concerns I raised in my 1990-91 Report. I consider it essential that the FAO continues to take prompt action on all system imbalances.

Action Taken to Improve the Overall Control Environment

43. A key consideration in the design and management of computer systems and installations is the creation of routine controls to minimise the risk and the consequences of error. Issues to which I gave particular attention in my 1990-91 Report were the absence of appropriate System Development Standards; the lack of proper System Documentation; and the lack of a Disaster Recovery Plan.

System Development Standards

44. The FAO made use of the System Development Standards of a former contractor during the 1992-93 biennium, and in April 1994 the FAO adopted an interim version of its own System Development Standards. I am pleased to note the progress made in this area.

System Documentation

45. Adequate system documentation is necessary in order to ensure that software amendments do not introduce new faults into the system; that the cause of reported problems is quickly identified; and that new programming staff can be readily incorporated into software support teams.

46. During 1993 the FAO made substantial efforts to tackle the deficiencies in documentation I had identified in my 1990-91 report. To avoid diverting software support staff from other priority work, the Organization used an outside contractor to deliver basic level system documentation, and revised internal procedures to help ensure that documentation is kept up to date.

Disaster Recovery Procedures

47. Disaster recovery procedures are necessary to ensure that in the event of an emergency, such as a fire in the Headquarters building, the impact on the operation and financial administration of the Organization is minimised. Typically, such procedures will include arrangements for off-site data storage and for the emergency movement of computer processing to a back-up site.

48. During the 1992-93 biennium the FAO engaged outside consultants to prepare a Disaster Recovery Plan. This Plan

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was substantively completed in early 1994 and appears to provide a sound basis for developing disaster recovery procedures.

Design and Functionality of FINSYS

49. In the course of the 1992-93 biennium the FAO commissioned a Functional Review of the FINSYS computer system. Included within the terms of reference were two elements on which I had made specific recommendations in my 1990-91 report: a review of all outstanding requests for changes to the system and of recommendations from previous consultants' reports.

50. The Functional Review, together with the observations of FAO accounting staff and my own staff, indicate that there are several aspects of the design and functionality of FINSYS which fall significantly short of the Organization's requirements. In many instances these arose from poor specification at the design stage. The more significant shortcomings include areas of limited accounting functionality; over-ambitious update procedures; and the absence of a top-level management reporting facility. These factors were largely reflected in the conclusion of the Functional Review.

Limited Accounting Functionality

51. Several design features of the FINSYS system make processing relatively inflexible and hinder the Organization in its efforts to achieve greater economy, and to streamline procedures. For example, an unusual feature of the FINSYS system is that many transactions are first recorded in the books of account when a transaction is authorised, rather than when a payment is made, or a legal obligation incurred. I recommended in my 1990-91 Report that the Organization revert to a conventional system in respect of travel advances. The FAO accepted this recommendation, but has so far been unable to implement it because of the cost of making such a change to the FINSYS system. The Organization has informed my staff that changes to the system may not be possible before 1995.

Absence of Top-level Management Information

52. The consultants commissioned by the FAO to perform a Functional Review of the FINSYS system concluded that "reporting from FINSYS has never produced the on-line management information which was envisaged when the system was being developed. The on-line enquiry system has been curtailed and reports produced are often voluminous, difficult to interpret and arrive too late to be useful to management". In general, FINSYS is well able to produce

detailed listings of transactions, but is unable to provide useful summarised reports. It is thus particularly apparent that the production of top-level information is deficient.

Computer Update Arrangements

53. The Director-General placed proposals before the 78th Session of the Finance Committee which included the option of replacing FINSYS, and enhancing or replacing PERSYS. These proposals were based in part on the recommendations of the external consultants engaged by FAO to perform a functional review of FINSYS, as well as on the advice from senior FAO officers. The Committee agreed with the need to replace the existing systems. I note the care with which the FAO has approached a difficult and finely balanced decision.

54. My 1990-91 Report focussed on problems identified during the development and adoption of an implementation process for the FINSYS/PERSYS project. For this reason a decision to replace FINSYS does not mean that the recommendations of my 1990-91 Report will be any the less relevant to the Organization. I recommend that the FAO ensure that any replacement system is developed with full documentation, adequate staff training, and rigorous testing, both of systems and of data conversion, within a framework of strong project management.

THE OPERATION OF FINANCIAL CONTROLS IN THE FIELD

Introduction

55. Through its United Nations Development Programme (UNDP) funded activities, the FAO implements development strategies and provides technical assistance to governments and rural communities. The joint FAO/UNDP activities include more than 400 field projects operating at any one time in more than 100 countries. During the 1992-93 biennium, total expenditure on the joint FAO/UNDP activities amounted to nearly $250 million. About 30 per cent of this expenditure was met directly in the field.

56. FAO headquarters exercise overall financial control over these field activities, which are governed by FAO's common financial rules and procedures. The Organization has also developed additional financial and accounting guides which are issued to field staff as an aid to proper financial management and control in local situations.

57. FAO headquarters are responsible for setting annual budgets for expenditure to be incurred locally on each project within the context of the overall project budget. Field projects report and substantiate all local expenditure to headquarters through imprest account returns and through

the Inter Office Voucher system. More than two thirds of all expenditure relating to these field projects is dealt with directly by headquarters staff.

Scope of the Examination

58. The objectives of my staff's examination were to obtain evidence that FAO continues to exercise adequate financial control over these field activities; and to identify ways in which controls and their cost-effectiveness could be improved.

59. The examination focussed on the operation of controls in the following three main areas:

(a) Control of Expenditure: how expenditure and unliquidated obligations are monitored; competitive tendering arrangements; control of vehicle costs; and advances to recipient governments.

(b) Accounting for Expenditure: how field projects are funded through imprests; arrangements for reviewing imprest accounts; local suspense accounts; and accounts payable.

(c) Control of Assets: how physical assets and cash holdings are controlled and protected.

60. In addition, my staff examined the arrangements for training FAO field staff and the quality of instructions and guidance issued.

61. In the course of this examination, my staff visited 10 UNDP funded FAO Projects, and seven field offices which have a monitoring and advisory role in relation to these field projects. The visits covered UNDP funded projects located in all the geographical regions in which the FAO operates.

Expenditure Control

Monitoring of Expenditure

62. FAO headquarters provide specific financial information on a monthly basis to each field project to facilitate monitoring of the budgetary position. This information includes payments-to-date and committed expenditure against each budget heading, both in summary and detailed formats. The designated responsible field staff should check the information provided by headquarters to ensure that it matches local records; to identify areas where expenditure could exceed or fall below the approved budget or allotment; and to seek budgetary revision in good time.

63. All field projects visited by my staff maintained financial records showing local expenditure against each component of the approved budget or allotment. However only three of the ten projects reconciled the local records to the budgetary outturn information provided by headquarters each month; or sought explanations from headquarters for any differences apparent on a comparison of the two sets of information.

64. My staff identified a number of errors both in the headquarters and local records which could have been detected by field project staff, had an effective reconciliation been performed. These included instances where budgets had not been charged with expenditure reported in previous imprest returns, and instances where expenditure made by a field office as agent on behalf of another budget holder had been charged against the agent's own allocation. **I recommend that FAO ensure that field staff carry out timely and regular reconciliations of its records with the budgetary outturn information provided by headquarters, so as to minimise the risk of material errors remaining undetected.**

Monitoring of Unliquidated Obligations

65. Where the Organization has entered into a legal commitment to pay, for example, by issuing a purchase order, the amount involved must be recorded as an expenditure obligation. On payment, the commitment is cancelled and the cash disbursement is recorded as expenditure. Headquarters provide each field office with a supplementary report of outstanding commitments on a monthly basis.

66. At the field projects visited by my staff, monitoring of unliquidated obligations varied in quality. At some projects my staff identified instances where, although final payment had been made, the transactions concerned continued to be recorded as unliquidated obligations. Consequently, the budgetary outturn, which reflects both payments and obligations, was overstated. My staff's examination of unliquidated obligations for the UNDP projects administered by the FAO included 13 items relating to field operations. Nine of these, or nearly two-thirds, proved to be invalid. As a result of this very high level of error, FAO took prompt action to review all significant unliquidated obligations and make appropriate adjustments (see paragraphs 27 and 103 to 106). To help avoid a problem of this magnitude recurring, **I recommend that FAO extend the provision of unliquidated obligation reports to all field projects.**

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Competitive Tendering

67. FAO requires that competitive quotations be obtained for all purchases where it is reasonable to do so. More specifically, competitive tenders must be sought for all purchases costing over $5,000 with certain exceptions on technical grounds for which approval must be obtained. The FAO estimates that in total such purchases made in the field by its UNDP projects amounted to $21 million in 1992-93. Field staff are required to maintain clear records which explain the process applied and justify the selection of supplier for all procurement actions. With certain exceptions, purchases exceeding $25,000 can only be made by headquarters procurement staff.

68. All field projects visited by my staff complied with the requirement to obtain competitive bids for purchases over $5,000. My staff found that, in general, FAO personnel at field projects visited had attempted to obtain quotations for purchases costing under $5,000. However some projects failed to maintain records of which suppliers had been requested to provide quotations. Only one out of the ten projects visited used the correct FAO form to record the quotations received and the decision on the selection of supplier. My staff found that field projects commonly only retained records for the supplier eventually chosen. **I recommend that the FAO require all field projects to provide headquarters with a summary of quotations obtained for each significant purchase.**

69. My staff noted that one project had introduced additional safeguards in procurement procedures by segregating the responsibility for the initiation of procurement action; for approval of a purchase request; and for obtaining quotations; selecting the supplier and placing the order. This project office contacted the FAO Representatives' office and staff at other projects within the country concerned to obtain information aimed at widening the range of suppliers from whom quotations can be requested. **I recommend that FAO encourage all projects to adopt such practices whenever possible.**

Vehicle Costs

70. For many field projects, vehicle costs represent a significant element of the local expenditure. The FAO estimates that in total the cost of purchases of vehicles for its UNDP funded field projects amounted to $5 million in 1992-93. The related costs of fuel and maintenance formed the largest category of financial transactions handled at local level for more than half of the field projects visited by my staff in 1992 and 1993. Guidance developed by FAO provides a good framework for the control of these costs. This requires field projects to ensure that each vehicle

carries a log book which records all journeys made, their purpose and distance; all intakes of fuel; and all repairs performed. The guidance also requires maintenance of summary records of costs relating to fuel, oil, maintenance and repair costs relating to each vehicle. Field offices and projects are urged to use this information to check on running costs and to identify irregularities.

71. My staff found that, with very few exceptions, field projects visited had maintained log book records in sufficient detail. However, only a small number of projects produced regular information on the average cost of fuel and oil consumption per vehicle. Only one project maintained a useful analysis of trends on maintenance and repair costs relating to each vehicle. **I recommend that FAO stress to Chief Project Officers the importance of following the guidance in order to obtain, and demonstrate, maximum economy in the operation of vehicles.**

Advances to Recipient Governments

72. The cost of field projects is normally shared between the UNDP and the recipient government. FAO project formulation guidance suggests that recipient governments should normally be prepared to make an agreed contribution to total project costs. Where necessary, FAO may provide an advance of funds from the project imprest to cover costs which would eventually be met by the recipient government. Advances of this nature should be recovered from the recipient government within 90 days.

73. My staff found that many of the field projects examined made considerable use of the facility to advance funds to recipient governments, but in some instances funds were advanced for purposes other than those allowed under FAO rules, for example to meet salary costs of recipient government staff. In addition, advances very often remained outstanding for more than 90 days, in some instances for over a year. My staff also identified instances where costs, according to the original project budget, should have been met by the recipient governments but instead were being charged against UNDP funds. I note that in every instance where significant funds were involved, FAO had consulted UNDP Resident Representatives before taking action.

74. **I recommend that FAO review the guidance on the frequency of such advances out of project funds and the terms on which they can be made. I also recommend that the FAO consider whether, in certain circumstances, they should be able to charge interest on advances remaining outstanding for more than 90 days and placing a bar on further advances whilst an earlier advance remains outstanding.**

Accounting for Expenditure

Funding Through Imprests

75. Authorised field project officers may make payments locally for such items as supplies, equipment and services purchased locally, casual labour and short-term staff costs and miscellaneous local costs. To facilitate local payments, FAO headquarters provide an imprest to authorised field project officers. An imprest represents money for which the custodian is personally accountable and which may be spent on approved activities, within approved budget limits, in accordance with FAO's financial rules and procedures.

Imprest Account Returns

76. Each imprest holder is required to account for the imprest placed under his or her responsibility. Imprest account returns from projects with expenditure of less than $5000 per month may be rendered quarterly to the FAO headquarters; the remainder are submitted monthly. The returns are required to be dispatched to headquarters not later than the fifth day following the period to which they relate. They should include vouchers, invoices, receipts and explanatory notes supporting individual transactions recorded in the account. Imprest account returns are scrutinised at headquarters, and details in the returns are then entered into the Organization's main accounting records. All field projects visited by my staff submitted imprest returns to headquarters on a timely basis.

Local Suspense Accounts

77. Imprest holders are often required to make payments which cannot be brought to account immediately as expenditure, because the supporting documentation is incomplete or a subsequent reimbursement of the amount paid is expected. For example, funds advanced to a staff member in the field for travel cannot be brought to account as expenditure until the travel has taken place and the staff member concerned provides details of costs incurred through a travel claim.

78. FAO Financial Rules provide that local payments of this nature should be recorded initially in a suspense account, known as the Locally Recoverable Items Account. UNDP suspense account items were valued at more than $430,000 at the end of the 1992-93 biennium. Headquarters staff scrutinising the imprest returns also use the suspense account to record expenditure items which lack the necessary supporting documentation, such as original invoices. Suspense Account items are required to be cleared within 90 days. The summary findings from my staff's visits to the

field are set out in Table 1. This shows that the objective of clearance within 90 days was often not met.

79. Imprest holders are required to maintain a local register of suspense account items and to forward a summary report of such items with each imprest account return to headquarters. In examining imprest returns, my staff noted that some field projects recorded payments as suspense account items when they should have been charged immediately to expenditure.

80. Misclassification of this nature impairs effective budgetary control at project level, entails additional work for responsible headquarters staff and introduces financial errors in the records underlying the Organization's published Financial Statements. **I recommend that FAO remind imprest holders to exercise greater care in determining the justification for recording payments as suspense account items.**

Table 1: Locally Recoverable Items: Summary Findings from Field Examination of Imprest Accounts

	Imprest Accounts Examined	Discrepancies between HQ and Local Records	Outstanding Items requiring Corrective action	Imprest Accounts on which one or more items remaining outstanding for more than			
				90 days	6 months	12 months	2 years
UNDP Projects	10	1	3	5	1	-	-

81. The screening of field imprest returns at headquarters represents a strong financial control, but for this to be effective, headquarters staff need to follow up promptly any queries arising on suspense items with the imprest holders. If items are allowed to remain in the suspense account beyond the end of the financial period, they affect the accuracy of the actual expenditure and receipts disclosed in the Organization's Status of Funds Statement. **I recommend that FAO stress to imprest holders their personal and primary responsibility for control of these suspense accounts; give Headquarters staff who process the imprest accounts direct responsibility for monitoring the clearance of suspense account items; and require staff processing imprest returns to submit regular reports to unit supervisors on all suspense items not cleared within 90 days.**

Accounts Payable

82. FAO headquarters may authorise a disbursement to be made in the field through a field project imprest account when, for example, a contract payment or a travel claim is to be settled in the country of origin, and in a local currency. In such instances, the FAO charge the authorised disbursement to expenditure; and create an account payable liability,

which should be cleared on receipt of a report from the field that the authorised payment has been made. FAO recognises that this gives rise to a risk of duplicate expenditure and invalid liabilities. It considers, however, that it is constrained by the FINSYS system, which would need substantial amendment to change the procedure. I recommend, however that FAO give high priority to reviewing this accounting practice. At the end of the 1992-93 biennium, recorded outstanding UNDP accounts payable for disbursement in the field amounted to $2.0 million.

83. My staff examined a sample of 20 accounts payable drawn from year end balances for UNDP activities. The results of this test examination indicated that accounts payable in the FAO UNDP Status of Funds statement for 1992-93, although showing a reduction in the overall balance when compared to the 1990-91 biennium, contained a high level of invalid transactions. These findings contributed to FAO's decision to review accounts payable and make adjustments as described in paragraphs 27 and 103 to 106.

84. I consider that the creation of accounts payable as a means of authorising a payment in the field is an unnecessary stage in the accounting process. If field project imprest returns fail to match payments with their underlying disbursement authorisations, there is a risk of duplicate expenditure entries and invalid accounts payable remaining undetected. I recommend that FAO review the continued need for the accounts payable stage in the accounting processes relating to field activities. In the interim I recommend that the Organization ensure that staff regularly check the validity of accounts payable items over three months old.

Control of Assets

Physical Assets

85. A central inventory of all UNDP non-expendable equipment is maintained at the FAO headquarters. At 31 December 1993 the total inventory of FAO UNDP funded projects was valued at $85.8 million. Items are recorded at cost price and charged to the budget of the biennium in which they are purchased. The Financial Regulations of the FAO require the Director-General to establish detailed financial rules and procedures to ensure the effective custody of the physical assets of the Organization. The essential components of FAO's system are:

(a) a central inventory of assets is maintained by procurement staff at the FAO headquarters. The inventory is updated regularly to reflect new acquisitions and any disposals of assets;

(b) each field office and project is required to maintain a local inventory of all assets held; and to forward a monthly report on new purchases and any disposal of assets;

(c) an annual verification exercise, in which each field office and project is sent a list of assets recorded in the central inventory as held at that location. The designated responsible staff member at each location is required to verify that the assets involved are correctly recorded, are in the possession of FAO, and are in working condition.

86. The sample examination carried out by my staff showed that, in general, controls over physical assets are operating satisfactorily. The Organization's staff take seriously their responsibilities for the custody of assets, and my staff found few instances in which items could not be traced.

87. However the standard of inventory control procedures followed by FAO projects varies considerably. Of those field projects visited by my staff, one project based in West Africa had established very good procedures for controlling physical assets. This project maintained an inventory record showing the location of each asset, and the name of the staff member responsible for the asset. The project's Chief Technical Adviser arranged regular verification of the existence and the condition of assets, and for documentation of these checks within the local inventory record. The project was able to deal with the annual inventory verification reports from headquarters quickly and efficiently, within one or two weeks of receipt.

88. Such high standards were not commonplace, however, and my staff found that at some projects no inventory control procedures had been applied, and the headquarters' annual inventory verification reports had not been examined, or had been returned to headquarters up to a year late. My staff identified several assets which were included in the central inventory, but which were no longer in use, or no longer operational. They also noted several cases where assets held by a project had not been included in the central inventory record. In general such instances arose because:

(a) the field projects concerned had failed to report to headquarters details of assets purchased locally; or

(b) assets obtained by way of transfer from another office or project had not been reported to headquarters.

89. My staff's examination of the central inventory record showed that, when assets are transferred between locations, the FAO deletes them from the record relating to the project and adds them to the receiving locations record at nil value. Consequently, the value of these items is not reflected in the total value of FAO's assets disclosed in a note to the UNDP Status of Funds Statement.

90. I note that FAO is undertaking a review of inventory control and accounting procedures. **I recommend that in this review, FAO consider the need for:**

(a) effective follow up procedures for offices failing to respond timeously to the annual verification of the central inventory;

(b) the need to mount the annual verification exercise in good time for the results to be included in FAO's final accounts;

(c) dissemination of good practice guides to field projects

(d) assets transferred between projects and offices to be recorded at their original purchase cost in the inventory record of locations to which they are transferred;

(e) assets which are no longer usable to be formally written-off; and

(f) assets which are no longer required to be disposed of promptly.

The Organization has told me that it is now considering each of these recommendations, and that new guidance on the disposal of unused and surplus items is to be issued in the near future.

Cash Holdings

91. Each UNDP field project visited by my staff maintained a cash holding. A number of projects, supporting activities in dispersed areas, held cash at more than one location. For projects operating in areas where banking facilities are either scarce or non-existent, use of cash becomes extensive and unavoidable. It is therefore important that funds held in cash are properly controlled.

92. FAO Financial Rules and Guidance provide a sound basis for the control of such funds, requiring cash holdings at any one location to be maintained at not more than the local currency equivalent of $500; and, where it proves necessary to hold cash in excess of this amount on a continuing basis, to obtain the authorisation of the Chief, Accounts Branch, at the FAO headquarters. The Guidance also stipulates that cash should be kept in a metal safe, or metal container; and that the imprest holder should carry out periodic checks of the cash balance.

93. Many of the projects visited by my staff did not comply with the Financial Rules and Guidance relating to cash holdings. In particular:

(a) two of the ten projects visited maintained cash holdings in excess of $500 over long periods, without the express agreement of the FAO headquarters;

(b) three projects did not maintain a register to record cash transactions, as specified in FAO guidance to imprest holders;

(c) there was no evidence of periodic check of cash balances by imprest holders at eight projects;

(d) the majority of imprest holders authorised replenishment of cash holding without signing and approving all cash payments and receipts vouchers, as required by the FAO Financial Rules.

94. The current level of cash payments does not represent a major element of overall expenditure. Nevertheless, in my view, failure to comply fully with the Rules and Guidance concerning cash management and accounting hampers the efficiency of project administration and introduces the risk of misappropriation of cash assets. **I recommend that the FAO ensure field staff comply fully with the rules and guidance relating to cash management.**

General

Financial training For Field Staff

95. Before taking up post, Officers responsible for field projects are given briefings at FAO headquarters on various subjects including the administration of imprests and accounting for those funds. In general, these staff members devote much of their time to technical duties, and are not involved directly in the day to day running of imprest accounts. This task is usually assigned to field administrative staff.

96. Financial training for field administrative staff is provided, on site, by the headquarters division responsible for the project and for the imprest account returns from that location. Four headquarters divisions are involved - the Operating Divisions dealing with Agriculture, Forestry and Fishery projects, and Finance, dealing with the FAO Representatives and other projects.

97. Each of these divisions is therefore involved in providing financial training to field administrative staff dealing with imprest accounts. Budgetary constraints and the geographic spread of each Division's work, mean that the number of locations covered is inevitably limited. Where practicable, the Divisions' staff undertake training in the field in conjunction with other duty travel. However my staff noted that the FAO does not coordinate the training activities of the different Divisions.

98. The field administrative staff at the majority of locations visited by my staff had not received any financial training since the introduction of the FINSYS computer system in 1990-91. This system has changed considerably the format in which imprest account and budget information is communicated to the field. The majority of field administrative personnel interviewed by my staff expressed the view that the new format statements were difficult to understand; and that without some form of training, they could not be confident that they were monitoring properly the imprest account and the budgetary position.

99. I note that during the 1992-93 biennium all headquarters divisions began to expand their training activities. I

welcome this development. To maximise the return from expenditure incurred on this activity, **I recommend that FAO develop an overall financial training programme for field staff, based on needs identified by each Division.**

100. I further note that the nature of UNDP's country programmes sometimes leads to the concentration of several field projects, with linked aims, within a relatively restricted geographical area. For example, in one Asian city visited by my staff, they noted that four separate UNDP funded FAO projects were in operation, each provided with a separate administrative staff, and separate imprest accounts. In such circumstances, appointment of a professional grade staff member to run a unit providing common administrative and financial support may offer significant advantages in terms of cost and improved financial control. **I recommend that the FAO and the UNDP give consideration to the creation of such units in their future development of country programmes.**

Accounting Instructions and Guidance

101. My staff found that the FAO Manual Sections relating to imprest holding and accounting have not been fully reviewed or updated since 1985. As a consequence, the Manual does not reflect the introduction of the FINSYS computer system in 1990, which has had a significant impact upon field officers' role. My staff found that supplementary information is variously provided within Administrative Circulars, Field Programme Circulars, Mission Memoranda, Financial Procedures, Financial Notes and Circulars issued by headquarters divisions. They noted that the existence of so many sources of instructions and guidance makes it difficult for field administrative staff to ensure that they are always complying with current requirements.

102. This fragmented arrangement for communicating instructions and guidance impairs efficiency and increases the risk that financial errors will occur. **I recommend that FAO review and update the Manual sections dealing with imprest holding and accounting; and seek to consolidate within the Manual, instructions and guidance currently contained in other circulars and notes.** Ideally, such a revised section would provide field officers with a complete set of guidance on the financial operations for which they are responsible. **I also recommend that when instructions and guidance in the Manual need to be revised, replaced or cancelled, the Organization communicate the new information to field staff through a single series of field circulars.**

FINANCIAL MATTERS

Unliquidated Obligations and Accounts Payable

103. My examination of FAO UNDP Status of Funds Statement initially submitted for audit, revealed two areas where FAO needed to make significant adjustments. The areas were unliquidated obligations and accounts payable. In each of these areas my staff's initial test examination identified instances where the recorded liability was no longer valid.

104. Unliquidated obligations represent prospective liabilities arising, for example, from binding contracts or purchase orders issued. My staff's initial examination of a sample of 23 randomly selected unliquidated obligations showed that 9 of the items were either invalid or incorrectly valued. As a result, FAO reviewed the majority of unliquidated obligations by value, and identified invalid liabilities valued at $3.1 million in the UNDP Status of Funds Statement. The FAO has made appropriate adjustments to the Statement.

105. Accounts payable represent payments which have been approved and charged to expenditure but where disbursement has not been completed. My staff's initial examination of a sample of 20 randomly selected accounts payable balances showed that 8 of the items were invalid or incorrectly valued. FAO's subsequent review of the accounts payable balances identified invalid items of $225,000 on the FAO/UNDP Status of Funds Statement. The FAO has classified these as deferred credits on the balance sheet.

106. An analysis of the invalid liabilities indicated that they arose because of an incomplete understanding on the part of some staff as to when an obligation becomes chargeable to expenditure; and a slowness to cancel those obligations which are no longer fully required. In part this problem arose because different accounting definitions of an outstanding obligation apply to the FAO's Regular Programme and to the FAO/UNDP activities. **I recommend that the FAO provide staff with appropriate guidance on the proper accounting treatment to be followed.**

United Nations Joint Staff Pension Fund

107. FAO provides for the pension arrangements of its staff through participation in the United Nations Joint Staff Pension Fund. The Fund is supervised by the United Nations Pension Board who in 1990 commissioned an actuarial valuation of the Fund's assets and liabilities. The results of this valuation were reported to and discussed by the Fifth Committee of the United Nations General Assembly in 1992.

108. The Pension Board told the General Assembly that the results of the actuarial valuation of the Fund showed that at 31 December 1990 the Fund had an imbalance equivalent to 0.57 per cent of total pensionable remuneration, reduced from 3.71 per cent as at 31 December 1988. The Pension Board did not recommend to the General Assembly that any additional contributions would be needed to cover the imbalance. Accordingly, FAO did not consider that a provision for a contingent liability needed to be made in its Financial Statements.

Inventory Control System

109. I have examined, with satisfactory results, the inventory of non-expendable UNDP equipment at the FAO Headquarters. My staff checked procurement, inspected assets in the course of field visits, and examined losses. At

31 December 1993, the inventory was valued at $85.8 million ($113.4 million in 1991).

110. In my 1990-91 report, I noted UNDP Projects had an improved return of year end inventory reports (79% in 1990). My staff noted that only 145 (38%) of 380 distributed 1993 year end inventory reports had been returned by UNDP projects and checked by 28 June 1994. **I recommend that the Organization continue to hasten Field Office returns of inventory reports.**

Losses and Writes-off

111. I have examined, with satisfactory results, details of compensation payments, ex-gratia payments, losses and writes-off to the value of $1,222,614 submitted to me by the Director-General with the UNDP Status of Funds Statement in accordance with the Financial Regulations. I am satisfied with the information and explanations which I have obtained about these cases and I have no observations to make. No cases of fraud or presumptive fraud have been reported to me.

Common Accounting Standards

112. In 1993, following the final report of the UN Working Party on Accounting Standards, the Administrative Committee on Coordination approved formal common accounting standards for the United Nations system. These were subsequently recognised by the General Assembly of the United Nations. In 1993, in consultation with my staff FAO began a review of the Organization's financial statements to identify the changes necessary to ensure conformity with these standards. This review will be completed during the 1994-95 biennium, with a view to implementing any necessary changes in the accounts for that financial period.

Acknowledgement

113. I wish to record my appreciation of the co-operation and assistance extended by the Director General and his staff during the audit.

John Bourn

Sir John Bourn
(Comptroller and Auditor General
United Kingdom)
External Auditor

21 July 1994

STATEMENT OF STATUS OF FUNDS ADVANCED TO THE FOOD AND AGRICULTURE ORGANIZATION BY UNITED NATIONS DEVELOPMENT PROGRAMME 1992-93

OPINION OF THE EXTERNAL AUDITOR

To: The Conference of the Food and Agriculture Organization

I have examined the following Status of Funds Statement I, Schedules 1, 2 and 3 and Notes of the Food and Agriculture Organization as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1993 in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1993 and the results of the operations for the period then ended; that they were prepared in accordance with the Organization's stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

In accordance with my usual practice I have also issued a long-form Report on the audit of the Status of Funds Statement, as provided for by the Financial Regulations of the Food and Agriculture Organization.

John Bourn 21st July 1994

Sir JOHN BOURN
Comptroller and Auditor General,
United Kingdom
External Auditor

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

Status of Funds as at 31 December 1993
(in US dollars)

OPERATING FUND	1992-1993		1990-1991	
Balance at 1 January		(15,465,803)		(28,830,638)
Add: Cash drawings from UNDP	108,287,474		201,294,784	
I O V ' s [Note 1]	178,214,755		216,677,367	
Other charges/credit (net) [Note 1]	(20,466,988)		(4,988,463)	
Miscellaneous income and exchange adjustments (net) [Note 2]	(1,108,638)		838,128	
Miscellaneous items refunded to UNDP (net) [Note 2]	525,264	265,451,867	(108,730)	413,713,086
		249,986,064		384,882,448
Less: Expenditure				
For projects				
Disbursements [Sch. 1]	215,296,736		333,183,927	
Unliquidated obligations [Sch. 1]	5,320,697		21,438,712	
For programme support costs [Sch. 1] [Note 3]	26,652,567		45,725,612	
A O S [Note 3]	973,439	248,243,439	-	400,348,251
Balance at 31 December		1,742,625		(15,465,803)
Represented by				
Cash at banks, on hand and in transit		431,652		14,684,530
Accounts receivable [Note 4]		13,652,687		17,209,785
		14,084,339		31,894,315
Less: Accounts payable [Note 4]	8,167,481		25,921,406	
Unliquidated obligations [Sch. 1]	4,174,233	12,341,714	21,438,712	47,360,118
		1,742,625		(15,465,803)

The amounts shown in the statements properly reflect the recorded financial transactions for the period.

APPROVED

Elmer S Owens
Director, Financial Services Division

Jacques Diouf
Director-General

14 July 1994

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING, AS AT 31 DECEMBER 1993, THE STATUS OF FUNDS ADVANCED TO THE UNITED NATIONS EDUCATIONAL, SCIENTIFIC, AND CULTURAL ORGANIZATION (UNESCO) BY THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP).

INTRODUCTION

General

1. The statement and the supporting schedules relating to the participation of UNESCO in the United Nations Development Programme for the financial period 1 January 1992 to 31 December 1993 are in the format prescribed by UNDP. My audit of them has been carried out in conjunction with my audit of the Regular Programme and the subsidiary Funds of UNESCO, which included a general assessment of UNESCO's internal financial control procedures.

Audit approach

2. The purpose of the audit was to enable me to form an opinion as to whether transactions were properly classified and recorded in accordance with UNDP's instructions and with UNESCO's Financial Regulations, and whether the Status of Funds Statement presented fairly the financial position as at 31 December 1993.

3. Our audit examination included:

- substantive testing of an appropriate sample of transactions covering income, expenditure, accounts receivable and payable, and bank and imprest accounts;
- a review of the final budget and accounting ledgers and supporting working papers, in order to ensure that the Status of Funds Statement accurately reflected the Organization's accounting records;
- a detailed examination of substantive documentation relating to a limited sample of UNDP-funded projects;
- an in situ inspection of a project site located in Jakarta (Indonesia), at the occasion of an audit mission to UNESCO's Field Office located there.

Results

4. My examination did not reveal errors material to the accuracy, completeness and validity of the Financial Statements. As a result, I was able to place an unqualified opinion on these Statements as at 31 December 1993.

5. During the course of the biennium, my staff raised a number of issues with the Administration, relating mainly to the follow-up of previous audit comments and to the introduction, at UNESCO, of a new framework for co-operation with UNDP as from 1 January 1992. The results of these enquiries, separated into financial and management matters, are reproduced below.

FINANCIAL MATTERS

Recording of field disbursements

6. In my report on the Financial Statements relating to the UNDP as at 31 December 1991, I had noted that slow processing of field expenditure reported by Inter-Office Voucher (IOV) adversely affected the quality of financial reporting data on projects and that measures to rationalize the organizational structure and work methods involved were being initiated.

7. The measures taken during the period 1992-1993, in particular the re-organized work methods and the electronic enhancement of IOV-processing, yealded very good results: as at 31 December 1993, the balance of unanalyzed IOVs was reduced to $ 202.673 (from $ 3.944.451 at 31 December 1991).

8. I noted, however, that the decision to change the organizational structure of this operation was delayed. The Administration has now indicated that it intends to study this question in the context of a centralized unit, responsible for the processing of all field expenditure, including Field Office imprest accounts, as increased efficiency and productivity are anticipated to result from this alternative approach.

9. I appreciate the efforts made and the results obtained so far, and recommend to continue to examine the organizational structure of the units involved in the processing of field-incurred expenditure.

UNDP project imprest bank accounts

10. In order to enable Chief Technical Advisers to meet the operating expenses of their projects, a project imprest bank account may be opened by the Comptroller at the request of the Sector responsible for managing the project.

11. Following a review of the account, recording expenditures and replenishments on the UNDP-project imprests (16), the Administration provided satisfactory explanations regarding specific comments made on the opening, monitoring and closing of those accounts.

Accounts payable

12. The UNDP instructions concerning the year-end closure of UNDP accounts require that unliquidated obligations (ULOs) established under International Experts'"Category II" costs (salary items of a personal nature) be reported as accounts payable. I noted that these ULOs, amounting to $ 309.367, including a number of 1990-1991 obligaticns unlikely to represent valid commitments, were not reported as accounts payable in the Status of Funds Statement as at 31 December 1993.

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13. The Aministration explained that, following the introduction of two categories for expert costs in 1978, these had always been reported on a strictly cash basis. It further noted that expert costs are becoming less material, as expert workmonths are decreasing under the new UNDP execution modalities. It proposed to disclose the unliquidated obligations figure for Category II-costs in the Notes to the accounts, attached to the Financial Statements. However, it does not consider that the restructuring of the Category II reporting system is warranted.

14. In my opinion, the proposed solution meets the UNDP reporting requirement and obviates the need for restructuring UNESCO's accounting and reporting system.

MANAGEMENT MATTERS

Project implementation and Agency support cost income

15. Notwithstanding a "more realistic forecasting and phasing of project inputs", resulting from the application of a two-year project budgeting concept (since July 1887), and the marked decrease of UNDP-funded activities in 1992-1993, UNDP project implementation in percentage terms remained nearly constant at around 72 per cent, as in the two previous biennia.

16. Actual support cost reimbursement for 1992-1993 amounted to $ 4.9 M, against $ 6.6 M budgeted (shortfall of $ 1.7 M).

17. The Administration pointed out that, when the 1992-1993 Programme and Budget was prepared (mid-1991), it could not be foreseen that overall UNDP project approvals would significantly decline, nor that the national execution modality would claim such a high proportion of those approvals. Furthermore, the financial implications of the new support cost arrangements during the transition period were expected to be minimal. Therefor, no specific measures were taken to absorb the aforementioned deficit, other than the requirement to absorb the shortfall within the overall estimate of miscellaneous income as a whole.

New UNDP/Agency co-operation framework

General

18. In its Decision 91/32 of 25 June 1991, the UNDP Governing Council adopted comprehensive legislation on successor arrangements to agency support costs, as part of a broader policy package emphasizing national execution of and national capacity-building in development activities.

19. Under these new arrangements, UNESCO (and four other agencies) became eligible to receive funds for allocation to specific technical support services, both at the programming level (TSS-1) and at the project level (TSS-2).

20. On the other hand, all UNDP-funded development projects approved or substantially modified after 1 July 1992 became subject to new support cost reimbursement modalities. These include the substitution of the former flat reimbursement rate of 13 % by a number of differentiated rates, based on 7 distinct "clusters" of Administrative and Operational Support services provided by the project-implementing agency (AOS, i.e. services for the delivery of project inputs).

21. The new UNDP/Agency co-operation framework is expected to lead to a more effective delivery of UNDP-financed activities and a more rigorous application of accountability requirements among the Governments, UNDP and the Agencies.

Programme Level Technical Support Services (TSS-1)

22. By providing specific funding for TSS-1 activities, the UNDP aimed at encouraging UN Agencies to focus more of their institutional capacity on programme work at the country level: elaboration of development strategies and policies, needs assessment, country programme and sectoral reviews, studies and analysis.

23. The UNESCO work programme for UNDP-funded TSS-1 activities in 1992-1993, approved in May 1992, comprised 50 activities, for a total allocation of $ 3.056.000. At the end of the biennium, 41 activities were completed or underway; total expenditure amounted to $ 2.260.417.

Identification of funds used for TSS 1-type activities

24. According to the relevant guidelines, UNDP-funded TSS-1 activities are to be considered as "additional and complementary" to similar activities carried out under the participating Agencies' Regular Programme and other sources.

25. In the light of this "matching funds" principle, UNESCO's Education Sector was requested to:

- identify the activities, financed by the Regular Programme and other funds, complementary to the UNDP-funded TSS-1 activities;

- explain whether and how programme-level technical services, financed from different sources, were co-ordinated.

26. In its reply, the Administration noted that:

- Regular Programme and other matching funds were either used directly in support of UNDP-funded activities or were complementary to the TSS-1 work programme as they were directed to countries and activities not included in that programme;

- identifying all probable TSS1-type activities had been difficult: the data presented related only to the Division of Operational Policy and Sectoral Analysis (BER/PSA) and the Education Sector's Bureau for Development Co-operation,

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whereas it was indicated that "each Unit or Field Office may have undertaken similar activities";

- in 1992-1993, co-ordination of Regular Programme activities with UNDP-funded TSS-1 activities had equally been difficult, as the TSS-1 work programme was not finalized until May 1992, well after the commencement of the biennium. For 1994-1995 however, co-ordination of activities would be facilitated by the earmarking of Regular Programme funds under "Co-operation for Development" funds at the sub-programme level, a part of which are for "upstream" activities.

27. With regard to technical support services at the programme level, mention is made of the results of the impact evaluation of UNESCO's contribution to the fifth-cycle Country Programmes of UNDP. This evaluation indicated that the relevance and timeliness of UNESCO's substantive inputs to programming exercises could be further improved. The introduction of the new funding arrangements for technical services should have a positive impact on UNESCO's capacity to provide these services, in particular through increased funding for missions (TSS1 and TSS2) and the corresponding earmarking of Regular Programme funds for programme and project preparation.

28. I conclude that, in 1992-1993, UNESCO's Regular Programme-funded development support services at the programme level, other than those executed by the Division of Operational Policy and Sectoral Analysis, were not readily identifiable. Apparently, the Programme Sectors did not develop a coherent strategy for this type of activity. On the other hand, it would seem that the introduction of the new UNDP/Agency co-operation framework already contributed to a clearer presentation and a better identification of these activities in the 1994-1995 Programme Budget, thereby achieving a sharper technical focus in the upstream stages of development activities, as was envisaged by the UNDP at the outset.

Allocation of Agency earnings

29. Strenghtening the technical support capacity of Agencies is one of the goals of the new framework. The distribution of earnings stemming from the implementation of UNDP-financed activities to the units involved obviously tends to strenghten their operational capacity.

30. Implementation of development projects (AOS) yields support cost income (limited to 10% in the new regime) which, at UNESCO, is integrated into the Regular Budget via miscellaneous income. Nevertheless, instructions were given to distribute this income to the programme units involved in the implementation of these projects.

31. According to the Secretariat, this distribution is achieved through the allocation of of adequate resources from the regular budget to the units expected to perform Administrative and Operational project services, rather than by the allocation of AOS support cost income.

32. Allocations for technical support services (TSS1 and TSS2) are funds provided for the implementation of specific activities. This implementation may generate income: while mission and consultancy costs are charged to UNDP on the basis of actual costs, UNDP reimburses agencies for TSS expertise at the rate of $14.000 for TSS-1 and $9.500 for TSS-2 workmonths respectively. Thus, workmonth reimbursements for services provided by UNESCO staff constitute UNESCO earnings. When services are provided by consultants, the consultants' fees are deducted from the workmonth allocation; the remaining balance is credited to UNESCO as income.

33. The Administration informed me that about one-third of all implemented TSS allocations have been spent for mission costs, one-third for payments to consultants, and the remaining one-third was retained as earnings for staff workmonths. 70% of those earnings will be allocated to the units/field offices that release staff for TSS activities and 30% to the central services to defray part of the administrative support costs for backstopping the projects.

34. I conclude that UNESCO took appropriate measures concerning the distribution of agency earnings, in order to strenghten its technical support capacity, in line with one of the objectives of the new UNDP co-operation framework.

Identification of operational workload by unit

35. I noted that UNESCO did not dispose of a centralized database holding sufficiently reliable information concerning the distribution of the workload on extrabudgetary operational activities among its programme divisions and Field Offices. Information on this subject was retrievable from two different computerized databases, showing considerable variations: the quarterly Status Report on Extra-budgetary Operational Projects and the Project Management Information System. It was noted that the Status Report as at 31 December 1992 underestimated the operational projects workload of 8 major Field Offices by about 66% . The Administration attributed this situation to erroneous information on the workload distribution, provided by the Programme Sectors.

36. I therefor recommended that the Administration undertake a concerted effort to correct and harmonize these databases.

37. In response, the Secretariat has taken action in order to harmonize centralized databases for all operational projects: a file interface has been programmed; executing units were requested to periodically provide up-to-date information on project status, thus enabling the compilation of reliable information on the distribution of the operational projects' workload among the programme divisions and field offices.

Evaluation of development co-operation activities

38. In 1992-1993, the Organization's Central Programme Evaluation Unit conducted an in-depth analysis of 40 project evaluation reports, the majority of which concerned UNDP-funded projects. According to this analysis, the large majority of projects were effective, with more than 8 in 10 projects considered as "generally succesful". On the other hand , the efficiency of project implementation was low, as many projects suffered from significant operational constraints and shortfalls, whether project design faults or Agency/Government backstopping deficiencies. This analysis and the lessons learned therefrom will be shared with all programme divisions and field offices.

39. The Organization also developped detailed Guidelines for the evaluation of development co-operation projects, with the purpose of enhancing individual project officers' capacities in this area.

40. I welcome the Organization's increased emphasis on development project evaluations and their analysis in terms of implementation efficiency and overall effectiveness. I also recommend that adequate instructions, addressing frequent constraints and shortfalls, be issued as soon as possible.

Project equipment inventories

41. Under present Instructions, Agencies executing UNDP-financed projects are expected to maintain a detailed inventory of non-expendable equipment purchased on the project budgets. Every year, an updated inventory register is to be sent to the project, for comments and return to UNESCO.

42. I noted that the 1993 inventory registers were sent out in time, but only very few replies were received by year-end.

43. In the light of the new co-operation framework, I recommended that the present instructions concerning project equipment inventories be reconsidered by UNESCO and UNDP.

44. In reply, the Administration agreed to follow up systematically on replies not received, in order to obtain positive assurance that inventory registers accurately reflect the current status of assets held in the field. It also agreed that this could be an opportune time for UNDP to review with executing agencies and governments the inventory requirements for project equipment destined to become government property, but stated that it was continuing to maintain project inventory records as previously.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

45. The recording of field disbursements benefitted from improved work methods; further examination of the structure of the units involved in the processing of field-incurred expenditure is recommended (par. 6-9).

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46. Identification of regular budget-funded and other programme-level development activities proved difficult; in order to enhance the efficiency and effectiveness of those programming activities, I recommend that further efforts be made regarding their identification and co-ordination (par. 24-28).

47. UNESCO's technical support capacities will be strenghtened through incresed allocation of agency earnings to the operational units involved in their execution (par. 29-34).

48. To that effect, corrective action was also taken with regard to the reliability of information available on the operational workload of these units (par. 35-37).

49. Increased emphasis was laid on project evaluations and their analysis in terms of implementation efficiency and overall effectiveness. I recommend that the constraints and shotfalls noted be adressed through appropriate instructions (par. 38-40).

50. I recommend that present inventory requirements for project equipment be reviewed in the light of the new UNDP co-operation framework (par. 41-44). Meanwhile, inventory returns from the field should be monitored systematically.

ACKNOWLEDGEMENT

51. I wish to record my appreciation for the co-operation and assistance extended by the Director-General and the staff of UNESCO during my final audit.

Jeroom L.E. VAN de VELDE
Senior President of the Court of Audit, Belgium

External Auditor

Brussels, 30 May 1994.

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CERTIFICATION OF FINANCIAL STATEMENTS

The appended Status of Funds Statement I and Schedules 1 and 2 are

Certified correct	Approved
D.C. Daly Comptroller	Federico Mayor Director-General

AUDIT OPINION

The appended Status of Funds Statement and supporting Schedules for the two-year period ended 31 December 1993 have been examined in accordance with my directives. As a result of the examination, I am of the opinion that the Statement and Schedules fairly present the financial position at 31 December 1993 and the results of the transactions for the period then ended.

Brussels, 28 April 1994	Jeroom L.E. Van de Velde Senior President of the Court of Audit, Belgium

Statement I

UNITED NATIONS DEVELOPMENT PROGRAMME
(UNESCO)

Status of Funds for the two-year period ended 31 December 1993
(Expressed in US dollars)

Operating Fund

BALANCE AS AT 1 JANUARY 1992		(2,219,183)
Add:		
Cash drawings from UNDP	19,244,000	
IOVs	47,382,258	
Other charges/credits (net)	(22,778,422)	
Miscellaneous income and exchange adjustments (net) (Note 4)	(184,790)	
Miscellaneous items refunded to UNDP (net) (Note 4)	31,177	
		43,694,223
		41,475,040
Less:		
Expenditure during 1993		
For projects		
Disbursements (Schedule 1)	34,263,550	
Unliquidated obligations (Schedule 1)	5,318,186	
For programme support costs (Schedule 1)	4,680,882	
		44,262,618
BALANCE AS AT 31 DECEMBER 1993		(2,787,578)
Represented by:		
Cash at banks, on hand and in transit	2,080,598	
Accounts receivable (Note 3(i))	2,193,503	
		4,274,101
Less:		
Accounts payable (Note 3(i))	1,743,493	
1993 Unliquidated obligations (Schedule 1)	5,318,186	
		7,061,679
BALANCE AS AT 31 DECEMBER 1993		(2,787,578)

REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING AT 31 DECEMBER 1993 THE STATUS OF FUNDS ADVANCED TO THE INTERNATIONAL LABOUR ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

GENERAL

1. The statement and supporting schedules relating to the participation of the International Labour Organization (ILO) in the United Nations Development Programme (UNDP) are generally in the form prescribed by UNDP. My audit of them has been carried out in conjunction with my audit of the regular budget and subsidiary funds of the ILO, which included a payroll audit. I have also examined the programme and relevant reports of internal audit.

2. My audit has been conducted in conformity with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.

TECHNICAL COOPERATION SUPPORT COSTS

3. In paragraphs 24 and 62 to 64 of my report on the accounts of the ILO, I refer to my staff's review of technical cooperation support costs under UNDP's new arrangements for financing these costs.

4. In 1992 UNDP established a system of administrative and operational support for projects (AOS), calculated from a separate percentage rate applied to specific types of technical support, together with two new types of technical support, TSS1 at programme level and TSS2 at project level.

5. In the course of their examination of UNDP project expenditure, my staff reviewed a sample of charges relating to TSS1 and TSS2 activities and confirmed that ILO had assigned allocations in accordance with UNDP's authorisation. Under UNDP's procedures for TSS1 and TSS2 activities, ILO charged staff costs for projects in progress on the basis of an estimate of the work completed. My staff reviewed a sample of these charges for TSS1 activities and confirmed from mission and activity reports that, overall, the estimates were consistent with the progress of the work. For TSS2 activities my staff reviewed four of the 27 projects on which expenditure had been recorded. They were unable to confirm ILO's estimate of work completed, as ILO had

not sufficiently described the timing and nature of the services against which completion could be monitored.

INTEREST CHARGED ON TECHNICAL COOPERATION FUNDING

6. In paragraphs 25 and 65 to 66 of my report on ILO's accounts for 1992-93, I set out the circumstances in which the Organization have charged interest on the average negative balance of funds owed by UNDP to ILO.

7. Under the funding arrangements for technical cooperation activities on behalf of UNDP, ILO normally receive funding in advance of expenditure. UNDP transfer funds to ILO several times a year. This periodic funding, together with the necessary delays incurred in processing expenditure returns from the field, can give rise to ILO showing a negative balance of funds on behalf of UNDP during the biennium.

8. The average balance of funds held by ILO on behalf of UNDP during 1992-93 was negative at $9.4 million owed by UNDP to ILO. ILO have charged interest on an annual basis to UNDP on the average negative funding balance. In the 1992-93 biennium this interest amounted to $636,000.

DECENTRALISATION

9. In paragraphs 26 to 27 and 67 to 70 of my report on ILO's accounts for 1992-93, I set out observations relating to the Organization's decentralisation of accounting functions to Regional Offices.

10. As an initial stage of their decentralisation of the monitoring and authorising of project obligations, ILO have assigned to their Asia and Pacific Regional Office the budgetary responsibility for three UNDP-financed technical cooperation projects. In one of these projects, my staff found that a significant number of commitments, valued at $920,000 in total, had been issued in excess of the current year allocation, without approval to rephase project funds. Commitments issued from the Regional Office had not been notified to headquarters and, in consequence, ILO only identified this situation late in 1993. ILO informed my staff that UNDP have retrospectively approved the rephasing of project funds. I have recommended that ILO ensure that Regional Offices establish sound financial monitoring procedures.

TECHNICAL COOPERATION INVENTORIES

11. In paragraphs 28 and 71 to 73 of my report on ILO's accounts for 1992-93 I set out the results of my staff's review of technical cooperation inventories.

12. These inventories should include all equipment, publications, materials and supplies purchased by ILO for UNDP and technical cooperation projects. ILO's Technical Cooperation Equipment and Subcontracting Branch (EQUIPRO) maintain a master inventory of non-expendable equipment, and project officers in the field are required to carry out annual inventory checks and submit certificates covering all inventory items in their custody.

13. In my 1990-91 report on ILO's accounts, I noted that ILO had received only 44 per cent of the annual certificates for a sample of projects examined by my staff. In 1992 and 1993 EQUIPRO sent reminders to all those projects which did not return a certificate. My staff noted that only 177 (28 per cent) of 624 active projects with non-expendable equipment items had submitted a 1993 certificate; and for the biennium, only 40 per cent of all projects had submitted either the 1992 or the 1993 return.

14. On receipt of purchased equipment over $400, all projects are required to return a receipt and inspection report (RIR) to EQUIPRO to confirm receipt in good order. Of 48 purchases tested by my staff, RIR's had been returned in respect of only 21 (44 per cent).

15. I have recommended that ILO take firm steps to ensure that all projects submit annual inventory certificates, and receipt and inspection reports.

PROCUREMENT OF GOODS AND SERVICES

16. In paragraphs 44 to 55 and 121 to 155 of my report on ILO's 1992-93 accounts, I set out the results of my staff's review of procurement, including procurement of goods and services for technical cooperation projects.

Organisation

17. At headquarters, ILO buy goods and services mainly through two purchasing branches. ILO's Technical Cooperation Equipment and Subcontracting Branch (EQUIPRO) is responsible for purchase of supplies and equipment on behalf of technical cooperation field projects and for contracting out the delivery of project activities to external bodies. Outside ILO headquarters, ILO external offices and technical cooperation projects may procure goods and services within prescribed cost limits or otherwise with headquarters approval.

18. My staff found that, in general, EQUIPRO operate effectively and respond appropriately to the needs of the Organization. There is scope, however, for establishing targets and criteria against which their performance may be measured.

Main Controls and Procedures

19. In procurement for technical cooperation activities, ILO aim to provide the most appropriate type and quality of equipment and services at the lowest possible cost in accordance with established competitive procedures. The Organization's rules and procedures include the following main steps and controls:

- ILO or project officials identify the need to buy supplies, equipment or services and define the specifications for the purchase;

- a purchasing officer identifies potential suppliers from previous experience or, where appropriate, from suppliers' catalogues or a computerised register of suppliers;

- the purchasing officer obtains and compares the prices available from different sources. For purchases above $20,000 this will normally include seeking competitive bids from three or more suppliers, although competition is not required for the procurement of services of individuals;

- the purchasing officer will normally give preference to the supplier quoting the lowest price. Where delivery is required urgently, or the quality of the goods or services offered is not equivalent, a more expensive supplier may be accepted;

- if the value of the goods or services exceeds $70,000 the purchasing officer will normally refer the purchase decision to the ILO Contracts Committee and the Treasurer and Financial Comptroller for approval.

- the purchasing officer will place the order or contract with the chosen supplier and arrange for delivery as appropriate;

- the official who submitted the original request for the purchase will normally confirm to the purchasing branch that the goods or services have been delivered and are satisfactory;

- ILO pay the supplier once the budget and finance branch is satisfied that the goods and services ordered have been delivered.

General Organisation and Efficiency

20. My staff examined how ILO organised their procurement responsibilities and used external procurement facilities. In headquarters, ILO had established sound segregation of duties between identifying the need for goods and services; testing the market and placing the order; verifying receipt of goods and

services and approving payment; and settling the supplier's account.

21. ILO take advantage of prices negotiated by the Inter-Agency Procurement Services Offices (IAPSO) in their purchase of vehicles and office equipment. I welcome this and have recommended that ILO make the fullest use of services offered by IAPSO.

22. My staff asked ILO how they assessed the effectiveness of procurement activities to ensure that the best prices are achieved, and that goods and services meet the required standards for quality and were delivered on time. EQUIPRO produce annual statistics on the number, value, type and pattern of orders and contracts, and on staff workloads. ILO have not, however, established common criteria or targets against which the Organization's procurement performance may be measured; and have not established procedures for evaluating the economy, efficiency or effectiveness of procurement activities. I have recommended that ILO establish such measures and procedures without delay.

Procedures and Controls

23. My staff found that ILO purchasing officers were generally successful in ensuring that the specifications for purchases of goods and services were detailed and appropriate for the purposes intended. They also found that ILO generally took proper steps to identify a full range of suitable suppliers and contractors.

Competitive Tendering

24. Competitive tendering helps ensure that the most economical price is secured. In nine of a sample of cases examined by my staff where competitive tendering had been undertaken, this had resulted in quantifiable savings. In these cases my staff compared the prices accepted by ILO with the highest offers obtained and found that the differences totalled approximately $135,000. In 1992-93, out of the 455 purchases which would normally have gone to competitive tender, ILO staff sought the approval of the Treasurer and Financial Comptroller to waive competition in respect of 133 purchases, with a total value of more than $18 million.

25. In nine cases, with a total value of $745,000, ILO had been constrained from going to competition either by the fact that contracts or orders had already been completed without competitive tendering or by a specification for a particular supplier in the ILO project document.

26. I have recommended that ILO use competitive tendering whenever circumstances permit, and that they should challenge purchase orders where a particular supplier is specified. I have also recommended that for those contracts which do not go to

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competitive tender, ILO ensure that there is evidence that prices have been reviewed and assessed as reasonable.

Bulk Purchasing

27. Much of ILO's purchasing takes place in response to ad hoc requests from headquarters branches, external offices and field projects. ILO place frequent low-value orders for many items of supplies and equipment, a process which is relatively inefficient and may not maximise the Organization's purchasing power.

28. In 1988, in a general review of the use of equipment provided to technical cooperation projects in developing countries, the United Nations Joint Inspection Unit recommended that purchasing offices in organisations should be involved in the formulation stage of projects. This is not done at ILO. Such an approach could offer ILO the opportunity to identify future procurement needs, and thus plan and coordinate procurement in a more economical and cost-effective way.

29. ILO consider that the need to reduce expenditure on equipment and supplies under the conditions of uncertain budgetary income in recent years, together with the need to respond to the individual requirements and timetables of technical cooperation projects, limits the extent to which they can plan and implement bulk purchasing arrangements.

30. Notwithstanding these considerations, my staff noted that there was still scope for ILO to secure substantial savings through improved planning and coordination of computer equipment procurement. In 1992-93, ILO spent more than $5 million on purchasing computers for headquarters and projects.

31. For technical cooperation projects, ILO have previously used a range of suppliers to meet the individual needs of projects. During 1992-93, ILO realised that alternative arrangements could speed up procurement and yield better prices. Accordingly, in 1993 they produced a standard specification for personal computers for projects and carried out competitive tendering to identify a supplier with whom they could conclude a bulk purchasing agreement. By March 1994, ILO were close to reaching an agreement with a chosen supplier. I have recommended that ILO involve purchasing branches in the planning stages of projects so that they can take full advantage of bulk purchasing wherever possible.

Contracts Committee

32. The role of ILO's Contracts Committee is to ensure that major purchases, normally those exceeding $70,000 in value, are secured in accordance with the Organization's rules and procedures, with the broad aim of securing economy and propriety. My staff examined the 40 cases, with a total value of $6.7 million, where in 1992-93 ILO's Treasurer and Financial

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Comptroller approved a waiver of Contracts Committee scrutiny. My staff were satisfied that in each of the 40 cases the decision to waive Contracts Committee scrutiny was justified, and had been fully considered and properly evidenced.

33. In a sample of 53 randomly selected purchases, my staff noted one subcontract for construction work on a UNDP project in Madagascar, which was neither submitted to the Contracts Committee nor approved for waiver of Contracts Committee scrutiny. The project team had carried out competitive tendering locally but, although this contract was worth some $71,000, it was not referred to the EQUIPRO purchasing branch, the Treasurer and Financial Comptroller or to the Contracts Committee. Under this same project, a total of 70 contracts, with a value of more than $2.1 million, should have been referred to EQUIPRO; and a total of six contracts, worth more than $750,000, should have been referred to the Treasurer and Financial Comptroller or to the Contracts Committee.

34. For those contracts which had been properly referred to the Contracts Committee, my staff noted that they were generally well supported with sufficient information to enable the Contracts Committee to make well-informed decisions.

Receipt of Goods and Services

35. My staff found that for purchases in headquarters, ILO purchasing officers generally ensured that they received appropriate confirmation that goods and services had been received and were satisfactory. However, in the field, project staff did not always confirm that goods and services had been received. I have recommended that ILO seek to obtain such information consistently.

Local Purchases

36. My staff examined twelve purchases of supplies and equipment for field projects to assess whether project staff effect the same degree of control over procurement activities as operated in headquarters. Seven cases were purchases made on behalf of projects by ILO's EQUIPRO branch at headquarters; and the remaining five cases were purchases made directly by project field staff under delegated authority from EQUIPRO.

37. My staff noted failings in two of the twelve cases. One case involved the purchase of 23 items with an estimated total value of $450,000. As the equipment was required urgently, ILO's Treasurer and Financial Comptroller agreed to waive the requirements for Contracts Committee approval and international competitive tendering on the understanding that EQUIPRO would review the purchases after they had been made. Although EQUIPRO had estimated that the waiving of international tendering would result in additional costs of some $30,000, they had not, at the time of my staff's examination, followed up these purchases to

ascertain whether the project office had been able to secure reasonable prices and terms.

38. In the second case, ILO's national expert in India purchased tools and equipment for a local road scheme at a cost of $30,630 under a global purchase authorisation delegated to him by EQUIPRO. Such global authorisations, covering a range of items, are only permitted where the amount does not exceed $20,000 and where the type and quantity of goods are specified beforehand. In this case, the goods were to be bought at government-controlled fixed prices and similar authorisations had been granted in the past. However, although EQUIPRO approved the purchase on the understanding that documentation would be forwarded to them for examination, no such information was provided. EQUIPRO were therefore unable to confirm that the funds were used for the purposes intended and that the prices secured were reasonable.

39. I have recommended that ILO strengthen their control over local purchases.

ACKNOWLEDGEMENT

40. I wish to record my appreciation of the cooperation and assistance extended by the Director-General and the staff of the ILO during my audit.

John Bourn 18H April 1995

Sir John Bourn
Comptroller and Auditor General, United Kingdom
External Auditor

The foregoing Status of Funds Statement and supporting Schedules 1 and 2 are approved:

J.D. Hunt
Deputy Director
Financial and Central
Administrative Services
Department

A. Ahmad
Assistant Director-General
Treasurer and Financial
Comptroller

OPINION OF THE EXTERNAL AUDITOR TO THE GOVERNING BODY OF THE INTERNATIONAL LABOUR OFFICE

I have examined the foregoing Status of Funds Statement I and Schedules 1 and 2 of the International Labour Organization as Executing Agency of the United Nations Development Programme for the financial period ended 31 December 1993, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination, I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1993 and the results of the operations for the period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

I have also issued a long-form report on my audit of the financial statements, as provided for in the Financial Regulations.

John Bourn 18th April 1994

Sir John Bourn
(Comptroller and Auditor General,
United Kingdom)
External Auditor

UNITED NATIONS DEVELOPMENT PROGRAMME

INTERNATIONAL LABOUR ORGANIZATION

STATEMENT I

Status of funds for the 1992-93 financial period

(in US Dollars)

Operating Fund		1992-93		1990-91
Balance due to ILO at 1 January 1992 and at 1 January 1990		(8 490 170)		(7 642 393)
Add: Cash drawings from UNDP	96 060 000		106 255 000	
IOV's	41 393 677		54 034 186	
Miscellaneous income and exchange adjustments (net)	(897 550)	136 556 127	(115 599)	160 173 587
		128 065 957		152 531 194
Less: Expenditure				
For projects				
Disbursements	113 442 142		136 204 110	
Unliquidated obligations	6 394 581		6 327 302	
For programme support costs and administrative and operational services	14 440 299	134 277 022	18 480 493	161 011 905
		(6 211 065)		(8 480 711)
Less: Miscellaneous items charged to UNDP (net)	-		16 910	
Adjustments to prior year's expenditure	(336 367)		(7 451)	
Adjustments to prior year's programme support costs	(43 728)	(380 095)	-	9 459
Balance due to ILO at 31 December 1993 and at 31 December 1991		(5 830 970)		(8 490 170)
Represented by:				
Cash at banks	(4 509 775)		(1 463 430)	
Accounts receivable	2 126 688	(2 383 087)	3 844 216	2 380 786
Less: Accounts payable	1 923 838		4 543 654	
Unliquidated Obligations	1 524 045	3 447 883	6 327 302	10 870 956
		(5 830 970)		(8 490 170)

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INTERNATIONAL CIVIL AVIATION ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME

NOTES TO THE STATEMENT OF THE STATUS OF FUNDS

(STATEMENT IX)

31 DECEMBER 1993

1. NATURE OF ACTIVITIES

1.1 Under the United Nations Development Programme (UNDP), the execution or implementation of projects related to civil aviation, financed by UNDP, may be delegated to the International Civil Aviation Organization (ICAO).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Method of Accounting

The Statement of the Status of Funds has been prepared in accordance with the format and directives prescribed by UNDP. The accounts of ICAO are recorded in United States dollars. Transactions and account balances in other currencies are converted into United States dollars at the United Nations operational rates of exchange.

b) Expenditure for Projects

Expenditure includes disbursements and unliquidated obligations for which funds have been provided in approved project budgets in the current year. Expenditure is accounted for as follows:

- for experts:	on the basis of services rendered to the end of the year;
- for equipment:	on the basis of purchase orders or signed contractual agreements issued to the end of the year;
- for training:	on the basis of the costs incurred for fellowships to the end of the year;
- for sub-contracts:	on the basis of the payment schedule included in the contract with the sub-contractor;
- for miscellaneous:	on the basis of issuance of authorization to pay for miscellaneous goods or services delivered or for which firm orders have been placed for delivery in the current year.

c) Programme Support Costs

Programme support costs are calculated on project expenditure on a basis determined by UNDP.

3. ACCOUNTS PAYABLE

3.1 The accounts payable include an amount of $ 840 178 in respect of a 1992 transaction concerning project NEP 82 009. This amount will be cleared upon receipt of further documentation from UNDP.

AUDIT OPINION

To the Assembly
International Civil Aviation Organization

I have examined the Statements of the Status of Funds of the International Civil Aviation Organization as Executing Agency of the United Nations Development Programme, Statements IX and X and relevant schedules, for the financial period ended 31 December 1993. My examination was made in accordance with generally accepted auditing standards, conforming with the international standards on auditing and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, and accordingly included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of the examination, I am of the opinion that these Statements of the Status of Funds properly reflect the recorded financial transactions for the financial period, which transactions were, in all significant respects, in accordance with the Financial Regulations and Rules of the United Nations Development Programme and legislative authority, and present fairly the financial position of the Funds as at 31 December 1993, in conformity with the accounting policies described in Note 2 to the Statements applied on a basis consistent with that of the preceding financial period.

Additional information and comments on the statements and this opinion are included in the observations in my long form report.

L. Denis Desautels. L. Denis Desautels.

L. Denis Desautels, FCA
(Auditor General of Canada)
External Auditor

Montreal, Canada
13 May 1994

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STATEMENT IX

INTERNATIONAL CIVIL AVIATION ORGANIZATION
UNITED NATIONS DEVELOPMENT PROGRAMME
STATEMENT OF THE STATUS OF FUNDS
AS AT 31 DECEMBER 1993
(in United States dollars)

	1993		1992	
OPERATING FUND				
Balance at beginning of year		(2 033 061)		(3 769 848)
Add:				
Cash drawings from UNDP	18 580 000		21 220 000	
Inter-office vouchers, on hand	9 025 158		11 583 128	
Inter-office vouchers, in transit			3 706 027	
Other charges/credits (net)	(3 781 853)		(1 726 370)	
Miscellaneous income and exchange adjustments	(155 608)		(269 071)	
Miscellaneous items charged/refunded to UNDP	(35 078)	23 632 619	(41 690)	34 472 024
		21 599 558		30 702 176
Deduct:				
Expenditure during the year (Schedules I,J,K)				
For projects				
Disbursements	19 404 206		25 920 010	
Unliquidated obligations	3 561 677		3 529 829	
For programme support costs	2 832 428	25 798 311	3 315 869	32 765 708
Sectoral support		2 957		
Proceeds from sale of equipment		(1 972 568)		(30 471)
Adjustment to prior year's expenditure		59 229		
		23 887 929		32 736 237
Balance at end of year		(2 288 371)		(2 033 061)
REPRESENTED BY:				
Cash in banks, on hand and in transit		1 885 852		1 311 507
Due from other Funds:				
AOSC Fund			407 000	
ICAO General Fund			608 442	
ICAO Aviation Security Trust Fund	29 867		31 424	
ICAO Other Funds	17 587		36 851	
Governments' Trust Fund accounts	1 095 601		777 830	
UNDP Administered Trust Funds		1 143 055	12 950	1 874 497
Accounts receivable and sundry debit balances		1 941 592		1 544 557
		4 970 499		4 730 561
Less:				
Due to other Funds:				
AOSC Fund	24 230			
ICAO General Fund	97 099			
Governments' Trust Fund accounts	170 665	291 994		
Accounts payable and sundry credits balances		3 405 199		3 233 793
Unliquidated obligations - current year		3 561 677		3 529 829
		7 258 870		6 763 622
		(2 288 371)		(2 033 061)

Certified correct:
O. Tavares
Chief, Finance Branch

Approved:
Philippe Rochat
Secretary General

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REPORT OF THE EXTERNAL AUDITOR ON THE STATEMENT SHOWING AT 31 DECEMBER 1993 THE STATUS OF FUNDS ADVANCED TO THE WORLD HEALTH ORGANIZATION BY THE UNITED NATIONS DEVELOPMENT PROGRAMME

General

1. My audit of the statement and supporting schedules relating to the participation of the World Health Organization in the United Nations Development Programme (UNDP) has been carried out in conjunction with my audit of the regular budget and subsidiary funds of WHO. I have also examined the programme and relevant reports of internal audit.

2. My audit has been conducted in conformity with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency.

Scope Limitation

3. My staff's audit of WHO's Regional Office for Africa was severely disrupted by events beyond their control. Local civil and political unrest created adverse security conditions in 1992-93 and my staff were unable to conduct necessary audit visits to the Regional Office. These problems continued to prevent audit visits by my staff in 1994.

4. In consequence, my staff were unable to carry out sufficient examination of the operations and transactions of the Regional Office for Africa. My opinion therefore does not cover expenditure of $5.0 million incurred on UNDP projects, as recorded in the accounting records of the Regional Office for Africa and reflected in WHO's financial statements for 1992-93. In the circumstances, I propose to carry out an audit of the Regional Office for Africa's operations as soon as circumstances permit; and to report the results to the following World Health Assembly.

ACKNOWLEDGEMENT

5. I wish to record my appreciation for the cooperation and assistance extended by the Director-General and the staff of WHO during my audit.

John Bourn 11th April 1994

Sir John Bourn
Comptroller and Auditor General, United Kingdom
External Auditor

UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD HEALTH ORGANIZATION

Statement I

Status of funds for the financial period 1 January 1992 - 31 December 1993

(expressed in US dollars)

		1990-1991		1992-1993	
OPERATING FUND					
Balance at 1 January 1990 and at 1 January 1992			(1 884 003)		(1 477 896)
Add:	Cash drawings from UNDP	42 700 000		35 300 000	
	Inter-office vouchers	13 145 981		10 041 560	
	Other charges (net)	1 263 489		(4 213 133)	
	Miscellaneous income and exchange adjustments (net)	(148 302)		(214 577)	
	Miscellaneous items refunded to UNDP (net)	101 071	57 062 239	331 031	41 244 881
			55 178 236		39 766 985
Deduct:	Expenditure during 1990-1991 and 1992-1993 (Schedule 1)				
	Projects (Schedule 2)				
	Disbursements	43 047 723		31 817 954	
	Unliquidated obligations	7 738 478		4 632 679	
		50 786 201		36 450 633	
	Programme support costs	5 869 931	56 656 132	3 941 108	40 391 741
Balance at 31 December 1991 and 31 December 1993 (due to WHO)			(1 477 896)		(624 756)

Annex: Statement of accounting policies.

UNITED NATIONS DEVELOPMENT PROGRAMME

WORLD HEALTH ORGANIZATION

CERTIFICATION OF FINANCIAL STATEMENTS

The foregoing status of funds statement and supporting schedules 1 and 2 are approved.

John E. Morgan
Chief, Accounts

Edward E. Uhde
Director, Division of Budget and Finance

OPINION OF THE EXTERNAL AUDITOR

To the World Health Assembly

I have examined the foregoing Status of Funds Statement I and Schedules 1 and 2 of the World Health Organization as Executing Agency of the United Nations Development Programme for the financial period ending 31 December 1993, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency except that, as described in paragraphs 3 and 4 of my report, due to circumstances of local political and civil unrest I was unable to obtain the information and explanations that I required in relation to the transactions of the Organization's Regional Office for Africa. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

Subject to this limitation on the scope of my examination, I am of the opinion that the Statement and Schedules present fairly the financial position at 31 December 1993 and the results of the operations for the period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

John Bourn 11th April 1994

Sir John Bourn
(Comptroller and Auditor General, United Kingdom)
External Auditor

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Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

April 29, 1994

To the International Bank for Reconstruction
and Development as Executing Agency for
Certain United Nations Development
Programme Projects

We have audited the accompanying statements of Status of Funds (Statement I), Expenditure by Source of Funds (Statement II) and Expenditure by Country (Statement III) for certain United Nations Development Programme projects for which the International Bank for Reconstruction and Development (the Bank) acts as Executing Agency for the year ended December 31, 1993. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the status of funds and expenditures of the International Bank for Reconstruction and Development as Executing Agency for certain United Nations Development Programme projects as of December 31, 1993 and for the year then ended, on the basis of accounting described in Note 2.

This report is intended solely for the International Bank for Reconstruction and Development for filing with the United Nations Development Programme and other interested parties and should not be used for any other purpose.

Price Waterhouse
(International Firm)

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Price Waterhouse

April 29, 1994

Ms. Diann D. Martin
Division Chief
Trust Fund Accounting Division
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

In accordance with the terms set forth in our letter dated April 6, 1994, we have applied agreed-upon procedures with respect to certain United Nations Development Programme (UNDP) projects for the year ended December 31, 1993 for which the International Bank for Reconstruction and Development (IBRD) or the International Finance Corporation (IFC) (collectively referred to herein as the Bank) act as Executing Agent. For each project selected, we inquired of Bank management and reviewed project files, including a sample of project documents and related correspondence, for the purpose of commenting on whether, with respect to those procedures:

- Consultants were retained and equipment was procured in accordance with the World Bank's guidelines;
- Progress reports were submitted in accordance with the required time frame and in the proper format;
- Cumulative and 1993 expenditures were within the budgeted amounts; and
- The project has progressed as planned.

IBRD projects selected for review were:

RAF/91/015	Regional, ACBI Management Team
RAF/92/007	Regional, Water and Sanitation for the Poor in Africa
RAF/92/014	Regional, UNDP/EDI/ILO Program for Management Training
UGA/90/018	Uganda, Transport Policy and Planning Project
UGA/93/001	Uganda, Assistance to Economic Planning

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IFC projects selected for review were:

RAF/90/008	Regional, African Project Development Facility - Abdijan
RAF/90/008	Regional, African Project Development Facility - Nairobi
RLA/90/008	Regional, Caribbean Project Development Facility
RAF/89/B30	Regional, African Training and Management Services (ATMS) Project
RAS/92/032	Regional, Strengthening the Investment Environment

In the course of performing the procedures summarized above, we noted no exceptions except as indicated below:

UGA/93/001 Uganda, Assistance to Economic Planning
RLA/90/008 Regional, Caribbean Project Development Facility

- No annual progress reports were submitted in 1993. Annual progress reports are required in the project documents of both projects.

RAF/92/007 Regional, Water and Sanitation for the Poor in Africa

- 1993 expenditures were greater than 1993 budgeted expenditures; however, cumulative expenditures were within the established guidelines. A reallocation of budgets by year was performed at end of 1993 which increased the 1993 budget to compensate for the over expenditure. Budget revision is awaiting approval from UNDP.

RAF/90/008 Regional, African Project Development Facility - Nairobi

- 1993 expenditures for equipment were greater than budgeted expenditures. Total project expenditures were within the established project budget. A budget revision prepared as of December 31, 1993 is awaiting approval from UNDP.

RLA/90/008 Regional, Caribbean Project Development Facility

- 1993 expenditures were greater than 1993 budgeted expenditures. No reallocation of budgets by year has been performed to compensate for the over expenditure. However, the project has been closed and a final budget revision is currently being prepared.

Because the above procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on any of the projects referred to above. Had we performed additional procedures other matters might have come to our attention that would have been reported to you. This report relates only to the projects specified above, in light of the procedures performed, and does not extend to any other projects or to the financial statements of IBRD or IFC, taken as a whole. This report is intended for management of the Bank and the United Nations Development Programme.

Yours very truly,

Price Waterhouse
(International firm)

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STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
EXECUTING AGENCY: INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
STATUS OF FUNDS AS AT DECEMBER 31, 1993

(Expressed in U.S. dollars)

Operating Fund

Balance at January 1, 1993		$ (4,152,398)
Add: Cash drawings from UNDP	$ 59,000,000	
IOVs	3,538,040	
Other charges/credits (net)	(6,394,126)	
Miscellaneous income and exchange adjustments	311,954	
Miscellaneous items charged to UNDP	(11,219)	56,444,649
		52,292,251
Less: Expenditure during 1993		
For projects		
Disbursements (Statement II)	41,789,230	
Unliquidated obligations (Statement II)	4,063,023	
For programme support costs (Statement II)	2,413,349	
AOS (Statement II)	2,099,450	50,365,052
Add: Adjustment to prior years' expenditure	65,735	
Adjustment to prior years' programme support costs	2,058	67,793
Balance at December 31, 1993		$ 1,994,992
Represented by:		
Cash and investments	$ 7,923,051	
Accounts receivable	3,141,109	$ 11,064,160
Less: 1993 Unliquidated obligations	4,063,023	
Accounts payable	5,006,145	9,069,168
		$ 1,994,992

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

April 29, 1994

To the International Bank for Reconstruction
and Development, acting for and on behalf of the
International Finance Corporation as Executing
Agency for Certain United Nations Development
Programme Projects

We have audited the accompanying statements of Status of Funds (Statement I), Expenditure by Source of Funds (Statement II) and Expenditure by Country (Statement III) for certain United Nations Development Programme projects for which the International Bank for Reconstruction and Development (the Bank) acts for and on behalf of the International Finance Corporation (the IFC) as Executing Agency for the year ended December 31, 1993. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the status of funds and expenditures of certain projects of the United Nations Development Programme, as executed by the International Finance Corporation, as of December 31, 1993 and for the year then ended, on the basis of accounting described in Note 2.

This report is intended solely for the International Bank for Reconstruction and Development, the International Finance Corporation and the United Nations Development Programme and other interested parties and should not be used for any other purpose.

Price Waterhouse
(International Firm)

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
EXECUTING AGENCY: INTERNATIONAL FINANCE CORPORATION
STATUS OF FUNDS AS AT DECEMBER 31, 1993

(Expressed in U.S. dollars)

Operating Fund

Balance at January 1, 1993		$ (113,009)
Add: Cash Drawings from UNDP	$ 7,500,000	
IOVs	90	
Other charges/credits (net)	3,972,184	
Miscellaneous income and exchange adjustments	(25,692)	11,446,582
Less: Expenditure during 1993		
For projects		
Disbursements (Statement II)	8,313,541	
Unliquidated obligations (Statement II)	404,065	
For programme support costs (Statement II)	805,056	
AOS (Statement II)	139,892	9,662,554
Subtract: Adjustment to prior year's expenditure	40,257	
Adjustment to prior year's programme support costs	4,428	44,685
Balance at December 31, 1993		$ 1,626,334
Represented by:		
Cash and investments		$ 2,298,819
Accounts receivable		2,027,105
		4,325,924
Less: Accounts payable	$ 2,295,525	
1993 Unliquidated obligations	404,065	2,699,590
		$ 1,626,334

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Translation from French

Swiss Federal Audit Office
942.0.1.11/93

3003 Berne, 30 May 1994
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UNIVERSAL POSTAL UNION, BERNE
ACCOUNTS OF TECHNICAL COOPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial year 1993

External Auditor's Report

TERMS OF REFERENCE

1 In compliance with Universal Postal Union (UPU) General Regulations, article 124, paragraph 10, the Government of the Swiss Confederation appointed me, in my capacity as Deputy Director of the Swiss Federal Audit Office, auditor of the UPU accounts (Federal Council decree of 16 February 1990).

2 In the light of the above and in accordance with article 37 of the Financial Regulations of the UPU, article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP), and article XI, paragraph 3, of the Agreement concluded in 1990 between the UNDP and the UPU, I instructed several qualified officials of the Federal Audit Office to make interim audits during the financial year and, in April and May 1994, to examine the technical cooperation accounts held in United States of America dollars, drawn up at 31 December 1993. The audit was performed at the seat of the International Bureau in Berne.

3 I should like to express my appreciation of the helpfulness shown by all UPU International Bureau (IB) officials called upon to provide the information and documents I required to carry out my task.

4 During our audit, my assistants had regular talks with Mr M Mazou, Assistant Director-General and Head of the Technical Cooperation Division, and Mr H-L Gentizon, Assistant Head of the Finance Section. Mr J Ascandoni, Deputy Director-General, was informed of the problems encountered at the end of the final audit of the accounts.

AUDITS AND OBSERVATIONS

General

5 The work was conducted in conformity with the usual standards generally accepted in this field, in compliance with the additional terms of reference attached to the UPU Financial Regulations and in accordance with the rules issued by the UNDP. In so far as they applied to our audit, the auditing guidelines adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency were followed.

6 Our audits by sampling dealt with the accounting of the movements relating to indicative planning figure (IPF) allocations, expenditure and proceeds for the financial year and liquid funds. The correctness of the items appearing on the financial statements at 31 December 1993 (Statement I, Schedules 2A and 3A) was checked, and the balances of the various cash accounts at that same date were compared with those given in the statements or certificates issued by the depositaries. All other assets and liabilities were examined. A comparison was made between the financial statements and the latest UNDP document (OFS 93–12 Final) at 31 December 1993.

Bookkeeping

7 Because of staff shortages, the deadlines for rendering the 1993 accounts could not be met and inaccuracies were found by my assistants. Also, certain financial statements were not prepared in accordance with UNDP instructions. Moreover, values relating to the UPU's own activities, which, however, have no bearing on UNDP project expenditure, were brought to account by mistake. The officials in charge were asked to make the necessary corrections in 1994.

IPF allocations

8 A few discrepancies between allocations from the UNDP (Status of Allocation by Agency) and those recorded by the UPU IB were noted. In four cases, these concerned changes that had not

9 At 31 December 1993, the balance of unused allocations amounted to 1 482 003 dollars (Report No 7 of 25 April 1994) and not 1 477 897.68 dollars (Report No 7 of 3 March 1994).

Operating Fund Statement

10 The Status of UNDP funds at 31 December 1993 (Statement I), drawn up by the UPU IB, shows a balance of 584 030.70 dollars whereas the amount on the latest UNDP document (OFS 93-12 Final) totals 697 608.43 dollars. The difference of 113 577.73 dollars, whose components are known, should be regularized in 1994.

11 The Status of Funds (Statement I) as well as Reports Nos 8, 2A, 5B, 9 and 10 already in the UNDP's possession had to be redone. The final documents are dated 25 April 1994. The UPU IB was asked to send a new set of 1993 financial reports to the UNDP.

Sectoral support allocation

12 In the UPU accounts, the Status of Sectoral Support Allocations at 31 December 1993 shows a debit balance of 104 225.37 dollars, which is still to be credited by the UNDP.

13 The reports prepared upon completion of the missions carried out in 1993 were presented to my assistants. They asked that the documents concerning the missions to Ethiopia, the Seychelles and Madagascar, which inadvertently had not been sent to the UNDP, be sent to New York as soon as possible.

Outstanding obligations

14 Of the total brought forward from financial year 1992 (395 205 dollars), 38 958.52 dollars, or 9.9 percent, were credited to various projects because the components that made up that figure did not correspond to commitments that had fallen due.

15 Outstanding obligations on the Status of Funds at 31 December 1993 totalled 290 642 dollars, ie 19.9 percent of the expenditure during the financial year. The breakdown is as follows:

	US $
- Outstanding obligations Experts	179 540.00
- Outstanding obligations Fellows	23 172.00
- Outstanding obligations Equipment	87 930.00
	290 642.00

16 The audits carried out in this area allow me to confirm that these outstanding obligations were brought to account in compliance with the instructions of the Director of the UNDP Finance Division (Interoffice Memorandum of 1 November 1993). As regards equipment, the outstanding obligations were recorded when the credits were in the budget of the financial year and a firm order had been placed before 31 December 1993. For local purchases, the authorization given by the UPU IB counts as an order.

17 Of the 9990 dollars relating to 1991 transferred to the liabilities column of the 31 December 1992 balance-sheet and shown under Accounts payable (see paragraph 12 of my report of 28 April 1992), 4022.60 dollars were used in 1993 to settle various deliveries. As for the balance of 5967.40 dollars, which had become superfluous, it was erroneously not credited to the projects; the necessary measures will be taken in 1994.

Support costs

18 On the whole, the support costs brought to account were calculated on the basis of the 1993 expenditure on projects, including outstanding obligations. Since a few mistakes had been made (Report No 5B) and because the question of flexibility as regards projects SYR92020 and TUN92004 (new system), also ARG92031 and SAM92005 (national execution) will have to be clarified, the UPU IB officials concerned were asked to contact the UNDP in order to sort these matters out and make the necessary corrections in 1994.

Liquid assets

19 The transfers of UNDP funds in dollars and various other currencies needed to implement projects were examined for the period from January to August 1993. In addition, the movements of liquid assets and their correct entry in the accounts were verified for July and August 1993. As for the liaison accounts, the audits carried out revealed that they had been adjusted regularly.

Experts and consultants

20 In this field, one of my assistants satisfied himself, by means of selective samples, that the salaries, post adjustments, dependency allowances and the various deductions had been calculated on the basis of the current scales, in accordance with the contracts of the persons concerned and in application of the staff rules applicable to technical assistance project personnel.

21 Since the statements of marital status and applications for dependency allowances or other benefits were not in the files audited, the UPU IB was asked to request them. As for a dependency allowance improperly paid to an expert, reimbursement was asked for at the time of the audit.

22 The other allowances paid to experts and consultants whose files were examined, such as rent allowances, mobility and/or hardship allowances as well as installation grants, were checked specifically as to entitlement, the way in which the amounts were determined and the appropriate putting to account.

Execution of projects

23 During an interim audit, the budgetary and financial development of certain projects was examined on the basis of the documents available at the UPU IB. Also, by analyzing the documents called for under UNDP rules, particularly the progress reports, the tripartite review reports, evaluations and, where appropriate, terminal reports, it was possible to assess the extent to which the objectives set had been met. The following is a summary of the observations and remarks communicated to the executing agency.

Project 1

24 Actual implementation of this project began 10 months late, in May 1989. At the start-up, the UPU IB realized that one of the objectives (mail circulation) had already been included in a bilateral project specifically relating to the restructuring and organization of the beneficiary administration's sorting centres. Consequently, the activity in question (engineering study) was deleted.

25 The internal evaluation carried out in conjunction with the first progress report (October 1989), showed that both the extent of the work to be done by the consultants and the Equipment component had been underestimated. The absence of a counterpart for the consultants was also deplored. At the 29 January 1991 tripartite review meeting, the wish was expressed that the project be completed in 1991, a deadline that was not met because, among other things, of the cancellation of a consultant's contract.

26 A comparison of the initial budget (302 150 dollars) with the last revision signed in March 1993 (406 618 dollars) reveals that:

- the project that was to have been completed in June 1991 was not operationally completed until March 1993;
- not all the consultants' missions were carried out;
- on-the-job training was only completed in part;
- budget transfers allowed for procurement of equipment not initially provided for, since the total expenditure recorded under this heading amounted to 149 719 dollars instead of 16 500 dollars.

27 Moreover, since two consultants' missions failed to produce satisfactory results, there is some doubt as to whether the objective of the project, namely improvement of postal service management through the introduction of computer technology and modern management methods as well as manager training, was not too ambitious.

28 As regards the reports that should have been prepared according to the project document, the UPU IB made the following comment to my assistants: "There is no document in the project file concerning the tripartite review meetings not held and progress and internal evaluation reports not supplied by the National Project Director".

29 At the time of the audit (December 1993), the total of the lists of equipment procured under the project did not agree with the figures in the books. The officials in charge were asked to correct the inaccuracies and to draw up the transfer document as soon as possible.

Project 2

30 According to the project document, the start-up date should have been July 1988 for a duration of 30 months. In the end, it was not until early 1990 that field activities could get under way due to difficulties that had arisen in connection with the appointment of experts and the granting of the necessary entry visas. As for fellowships, 70 percent of which should have been awarded in 1988, only one was granted in 1989.

31 Even though some progress was noted at the tripartite review meeting of 24 November 1992, new problems that had arisen in the interim prevented implementation of all the activities called for, such as a consultant's mission in 1993 (46 295 dollars budgeted) and granting training fellowships (38 739 dollars budgeted). Regarding the first activity, the UPU IB stated the following: "The International Bureau and the Bangkok Regional Adviser did their utmost to ensure that this mission would be carried out under the best possible conditions. However, no decision was made by the beneficiary country." As regards the fellowships, it commented as follows: "It will be extremely difficult to arrange training activities before the end of the year. Moreover, according to information supplied by the National Project Director, the Government is currently negotiating extension of the project until 1994 to allow the Fellows to be placed and equipment to be purchased."

32 A document transferring the equipment to the Government was duly signed in June-September 1993. If the project is extended as mentioned above, a new document will probably have to be drawn up.

Project 3

33 The project document was signed in April 1985 with a budget of 373 000 dollars entirely covered by the Government of the country concerned.

34 Throughout the execution phase, the local authorities requested and financed extensions in order to include new activities carried out by the senior expert from 1988 to 1992. Thus, the actual

expenditure brought to account on budget line 11.01 Postal training amounts to 387 905 dollars against an initial budget of 248 000 dollars. In a way, the international expert in question was regarded as an official of the country's postal administration. He worked for the Director of Posts and was responsible among other things for performing tasks that were not specifically defined in the project document, such as important correspondence, translations, and miscellaneous duties and studies.

35 According to the reports prepared, the initial objectives set out in the project document were exceeded. The repeated extensions resulted in a more efficient and more dynamic postal service, although the question should have been asked as to whether the extra activities requested by the beneficiary postal authority could have been carried out at less cost.

36 At the time of the audit (December 1993), the total of the list appended to the document transferring the equipment to the Government, a document signed by all three parties in 1992, did not agree with the bookkeeping figures. The officials in charge were asked to make the necessary corrections as quickly as possible.

Project 4

37 Instead of starting in April 1989, execution of this project did not begin until January 1990 with the arrival of the consultant. It appears that the date on which he was to take up his duties had to be postponed by two months to allow him to set up his organization and later to permit proper procurement and receipt of the equipment. Moreover, at the start, certain essential logistic requirements had not been met and the project had to be carried out without the participation of two of the counterparts whose appointment took some time. Still at programming level, it was noted that the training of the Fellows, spread out from early 1991 to the end of 1992, could have been more concentrated.

38 The project was operationally completed in 1991 and was the subject of a final revision (I) signed in March 1993. The total expenditure brought to account amounted to 437 912 dollars against an initial budget of 410 000 dollars. At the time of the audit (October 1993), the total of the lists of equipment showed a discrepancy of 2604 dollars compared with the book-keeping figures. The transfer document had still not been approved by the Government and the UNDP. The officials in charge were asked to take appropriate action to settle this question.

39 Notwithstanding certain observations in the final report prepared by the National Project Director, the UPU IB was of the opinion that on the whole, the project was properly executed and that its outputs would be used.

Project 5

40 The aim of this regional project carried out for the benefit of 24 countries of the Asia and Pacific region was to modernize postal services management and operations. Activities began on schedule in 1987 after a preparatory phase, with a budget of 1 106 250 dollars, 811 200 dollars of which were for staff expenditure (experts, consultants, United Nations Volunteers). In the end, total expenditure was slightly higher (+8 percent), reaching 1 194 864 dollars.

41 In view of the very large number of countries participating in this regional project and with the agreement of the UNDP, no tripartite review meeting was held. On the other hand, an ongoing evaluation was carried out on 3 December 1990, at Rotorua, New Zealand, on the occasion of the Congress of the Asian-Pacific Postal Union.

42 Despite several alterations (rescheduling and extension of the senior expert's engagement, organization of an additional seminar, incorporation of an equipment component) and certain difficulties encountered with recruitment of TCDC consultants, the project was completed within the time allowed and the objectives assigned were largely met.

43 Since an error was made during preparation of the final revision of the project (M) (the amount shown for UNDP inputs being 895 dollars too high), the UPU IB was asked, for the record, to have a corrective document signed.

44 At the time of the audit (December 1993), the equipment transfer documents had not yet been sent to the various beneficiary countries. The officials in charge were asked to attend to it as soon as possible.

Additional comments by the UPU IB

45 The comments, dated 6 May 1994, which the UPU IB sent me about the findings and observations relating to the five projects mentioned above are attached to this report (annexes 8 and 9).

CONCLUSIONS

46 Following the work done, I am in a position to issue the audit certificate appended to the bottom of the following documents:

- Status of UNDP funds (annexes 1 and 2);
- Status of sectoral support funds (annexes 6 and 7).

(signed) F Faessler

Deputy Director
SWISS FEDERAL AUDIT OFFICE

(External Auditor)

Annexes:

1-2 Statement I
  - Status of Funds as at 31 December 1993
3 Report 2A
4-5 Report 3A
6-7 Statement - Sectoral Support
8-9 UPU IB comments about execution of projects

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UNIVERSAL POSTAL UNION
INTERNATIONAL BUREAU

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME **Report No 1**

Status of Funds as at 31 December 1993
(in US dollars)

Operating Fund

Balance at 1 January 1993			(25 566.97)
Add:	Cash drawings from UNDP	752 214.77	
	IOVs	1 720 991.31	
	Other charges (net)	(78 132.18)	
	Miscellaneous income and exchange adjustments (net) (Report No 8)	(21 546.39)	
	Miscellaneous items refunded to UNDP (net) (Report No 8)	5 594.53	2 379 122.04
			2 353 555.07
Subtract:	Expenditure during 1993:		
	For projects		
	Disbursements (Report No 2A)	1 166 345.00	
	Unliquidated obligations (Report No 2A)	290 642.00	
	For programme support costs (Report No 5B)	312 537.37	1 769 524.37
Balance at 31 December 1993			584 030.70
Represented by:			
Cash at banks, on hand and in transit (Report No 9 Annex)		299 785.89	
Accounts receivable (Report No 9)		1 019 631.96	1 319 417.85
Less:	Accounts payable (Report No 10)	444 745.15	
	1993 unliquidated obligations (Report No 2A)	290 642.00	735 387.15
			584 030.70

CERTIFIED CORRECT

H.L. GENTIZON
Assistant Chief, Finance Section

APPROVED

Jaime Ascandoni
Deputy Director-General

/...

Audit Certificate

I have examined the above financial statement. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

On all essential points, the financial statement presents the financial position as at 31 December 1993 and the results of its operations for the period then ended.

For further details, I refer to my audit report which will be prepared at a later date.

Berne, 29 April 1994

Faessler

F. Faessler

Deputy Director
Swiss Federal Audit Office

(External Auditor)

Eidgenössische Finanzkontrolle
Contrôle fédéral des finances
Controllo federale delle finanze
Swiss Federal Audit Office
943.0.1.15/93

3003 Bern, 20 May 1994
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ANNEX C

INTERNATIONAL TELECOMMUNICATION UNION, GENEVA ACCOUNTS FOR THE TECHNICAL COOPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

Financial year 1993

Report by the External Auditor

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Terms of reference

1. In conformity with Resolution No. 35 of the Plenipotentiary Conference (Nice, 1989), the arrangements for auditing the accounts of the International Telecommunication Union (ITU) were renewed and I was appointed External Auditor by the Government of the Swiss Federation (Federal Council Decree of 16 February 1990).

2. Furthermore, under Article 51 of the ITU's Financial Regulations and Article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP), and in accordance with section 3 of Article XI of the Agreement signed on 19 June 1990 between the UNDP and the ITU, I instructed several qualified officials of the Swiss Federal Audit Office to carry out intermediate reviews during the period and, in March, April and May 1994, an audit of the accounts of Technical Cooperation projects, kept in United States dollars, as at 31 December 1993. The reviews were carried out at ITU headquarters in Geneva.

3. I wish to express my appreciation for the courtesy shown by all the officials of the ITU who were approached in supplying the information and documents needed for the performance of my task.

4. During the audit my colleagues had regular meetings with Mr. A. Tazi-Riffi, Chief of the ITU Finance Department. They also spoke with Mr. W. Richter, Chief of the Programme Support, Organization and Methods Department of the ITU Telecommunications Development Bureau (BDT).

Verifications and comments

General

5. The audit was carried out in keeping with standard auditing procedures, in conformity with both the additional terms of reference attached to the Financial Regulations of the ITU and the relevant UNDP rules. In so far as they were relevant to our work, the standard procedures used by the group of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, were followed.

6. During the financial year, the ITU's Internal Auditor, working as before on a part-time basis, completed the tasks which I had approved. I therefore drew upon his work and conclusions when formulating the programme of reviews subsequently executed by my colleagues.

/...

7. Spot checks were made of the posting to account of movements relating to allocations for indicative planning figures (IPF), special programme resources (SPR), special measures for the least developed countries (LDCs) and government cash counterpart contributions (GCCC), expenditure and income during the financial year and cash funds. The accuracy of the items appearing in the financial statements at 31 December 1993 (Statement I, Reports 2A and 3A) was verified. The balances in the various accounts on the same date were checked against those appearing in the bank statements. The other main items, both assets and liabilities, were inspected and the financial statements were compared with the latest UNDP document (OFS 93-12 Final) at 31 December 1993.

Keeping of the accounts

8. Owing to the retirement of the ITU staff member responsible for keeping the accounts of technical cooperation projects executed by the ITU and to the lack of human resources in the Finance Department, it has not been possible to meet the deadlines for rendering the 1993 accounts, and inaccuracies detected by my colleagues will have to be corrected in 1994.

Allocations for IFP, SPR, LDCs and GCCC

9 For the following projects, the UNDP allocation is lower than the expenditure posted:

		US$
- ALB86005:	Allocation	217,652.--
	Expenditure	218,487.--
- ALG81023:	Allocation	542,115.--
	Expenditure	550,373.--
- IND86007:	Allocation	2,342,574.--
	Expenditure	2,357,556.--
- LES91003:	Allocation	697,700.--
	Expenditure	703,706.--
- MOR89001:	Allocation	1,259,407.--
	Expenditure	1,263,920.--
- RAF85028:	Allocation	2,619,500.--
	Expenditure	2,779,002.--
- RAF89017:	Allocation	1,600,000.--
	Expenditure	1,791,849.--
- RAS86190:	Allocation	1,794,000.--
	Expenditure	1,813,071.--

/...

- RAS89054:	Allocation	1,205,000.--
	Expenditure	1,218,946.--
- YEM87023:	Allocation	709,578.--
	Expenditure	709,598.--

10. As already mentioned in my previous reports dated 13 May 1991, 18 May 1992 and 19 May 1993, the allocations for three projects, LDC CVI87013, MAU87024 and MLI87007, have still not been allocated. Since expenditure already incurred is relatively substantial (225,972 dollars, 404,694 dollars and 477,999 dollars respectively), I believe that these three cases should be attended to without delay.

11. Regarding project GCCC SOM86020, the difference between actual expenditure and the allocation received, as indicated in my reports dated 18 May 1992 and 19 May 1993, amounts to 1,350 dollars.

12. I have urged the responsible officials to take the necessary steps to deal with the situations referred to in 9, 10 and 11 above.

Operating Fund statement

13. The statement of UNDP funds drawn up by the ITU at 31 December 1993 (Statement I) shows a balance of 811,811.43 dollars, whereas the amount given in the latest UNDP document (OFS 93-12 Final) is 851,625 dollars. The difference, amounting to 39,813.57 dollars, has been fully identified and will be corrected in 1994.

Projects executed for other agencies

14. During 1993, the ITU was entrusted with the execution of 12 projects involving a total expenditure of 4,610,504 dollars, including unliquidated obligations in the amount of 137,218 dollars. For all the projects, even where no specific reference was made to that effect, the ITU posted to account the support costs, generally at the rate of 13%. The total amount concerned was 414,805 dollars, of which 14,340 dollars related to AOS costs in the case of project 5BRA92012.

15. At 31 December 1993, four projects showed a balance in favour of the ITU, the total amount concerned being 502,770 dollars. I have asked the responsible officials to take the necessary steps to obtain the corresponding credit advices.

Sectoral support expenditure

16. The sectoral support expenditure statement in the ITU accounts at 31 December 1993 shows a debit balance of 35,720 dollars. Since 40,290 dollars have already been credited as the result of an incorrect request for reimbursement, my assistants have asked the ITU to ensure that the new balance of 4,570 dollars is repaid to the UNDP in 1994.

17. My assistants asked to see the reports of missions carried out in 1993 in order to verify that those missions came under the heading of sectoral support. This year, once again, the reports were not available.

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Unliquidated obligations

18. Out of the total balance carried over from 1992 (1,334,355 dollars) a sum of 207,247 dollars, i.e. 15.5%, was credited to the various projects because the items making up this figure were not taken up by commitments that had fallen due.

19. Unliquidated obligations which appear on the statement as at 31 December 1993 stand at 843,379 dollars, equivalent to 11.5% of the financial year's expenditure. As the result of a posting error, which, as shown by the checks carried out by my colleagues, had no influence on the calculation of the support expenditure, this total contains 13,149.70 dollars relating to 1992. This sum should have been transferred to Accounts payable. As recorded in the accounts, the unliquidated obligations break down as follows:

	US $
- Unliquidated obligations Experts	239,380.--
- Unliquidated obligations Consultants	256,337.--
- Unliquidated obligations Fellows	49,052.59
- Unliquidated obligations Other staff	37,949.70
- Unliquidated obligations Equipment	258,658.97
- Unliquidated obligations Miscellaneous	2,000.--
	843,378.26
- Unliquidated obligations Consultants 1991	17,660.--
	861,038.26

20. In the light of the checks carried out, I am able to confirm that the unliquidated obligations have been posted to account in accordance with the Instructions of the Director of the UNDP Finance Division (Interoffice Memorandum of 1 November 1993). As regards equipment, commitments were entered in cases where credits were included in the current budget and a firm order placed or a contract signed by 31 December 1993, but where the regular procedure had not been followed, either because the goods concerned had not yet been delivered or the service provided, or because the executing agency had not yet been billed.

Support costs

21. Support costs posted to account by the ITU were determined on the basis of 1993 project expenditure, including unliquidated obligations. The rate applied was 13%, to which a further 9% were added to allow the degree of flexibility required for a turnover of under 8 million dollars. Due account was also taken in the support costs of the lower percentages agreed for various projects.

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Fellows

22. By means of spot checks, my assistants confirmed that travel expenses had been calculated on the basis of current scales, in accordance with the contracts held by the persons concerned and in accordance with the relevant rules of implementation.

Equipment

23. For some projects, the expenditure posted to account for the purchase of equipment and supplies was checked, with particular regard to the observance of purchasing procedures, proof of delivery, checking of invoices and recording in inventories. My assistants noted that purchases are effected on the basis of requisitions, given that project documents do not always specify in detail the type of equipment required. It is thus possible to take greater account of technological advances.

Project implementation

24. In the course of an interim review, the budgetary and financial development of certain projects was examined on the basis of documents available at ITU headquarters. The extent to which objectives had been achieved was appreciated after analysis of the documents referred to in UNDP regulations (in particular progress, tripartite review, evaluation and final reports). I shall now summarize the findings and considerations communicated to the executing agency.

Project No. 1

25. The objectives under this project were to have been achieved in five years, with an initial budget of 14,106,987 dollars comprising a government participation of 12,806,987 dollars and a UNDP contribution of 1,300,000 dollars.

26. Work in the field began on schedule in January 1987 and were completed only a little behind schedule in October 1992. The draft final report was approved on 11 March 1993 at the first tripartite review meeting to consider a new project.

27. As shown by the various documents consulted, the objectives were modified throughout the period of implementation of the project, particularly when the authorities lifted the ban on importing certain types of equipment, with the effect that one of the main objectives, namely the development of national technologies, was deemed to be no longer justifiable and therefore abandoned. It was decided instead to reorientate the project, with all of the major budgetary readjustments that that implied. The project objectives were, according to the final report, amply fulfilled. During the period of implementation, over 2.5 million dollars were allocated to training fellowships, particularly for beneficiaries from developing countries (TCDC).

/...

28. By the end of this project, the total expenditure posted was 16,904,136 dollars, that is, 2.8 million dollars up on the initial budget. At the time of the audit (November 1993), the UNDP's allocation had not yet been regularized, being too high by 53,065 dollars. At the same time, the total figure in respect of the lists of equipment purchased under the project did not tally with the accounting figures. The responsible officials have been asked to correct the inaccuracies and to draw up the deed of assignation as soon as possible.

Project No. 2

29. According to the project document, the start-up date was set for July 1989, although work in the field began only in February 1990. At that time, the construction work on telephone exchanges had not been completed, which meant that some experts were unable to carry out their missions as scheduled. There is no question that better coordination and a reassignment of the missions in question would have made it possible to achieve savings and to improve efficiency.

30. Difficulties arose from the outset of implementation, and on a number of occasions the local authorities criticized the international coordinator, whose post was withdrawn at the end of September 1990. By way of a replacement, the ITU Area Representative was entrusted with a number of his tasks.

31. In the light of the problems encountered, the first tripartite review meeting decided to revise the project, although without altering the original budget total.

32. The expenditure posted under the project at 31 October 1993 amounted to 2,333,971 dollars. The budgetary appropriation stood at 3,088,200 dollars. The total figure for expenditures posted at 31 October 1993 shows that more than 750,000 dollars remain available from the budget, although the project, operationally speaking, has been completed (the final tripartite review meeting was due to take place on 13 December 1993). When asked to explain this significant difference, the ITU gave the following response to my assistants: "This project, which, at the request of the Administration, was initially intended to last for three years, from 1989 to 1992, was cut short at the express request of that same Administration, which considered itself capable of carrying out the remainder of the work itself. This explains the balance of 750,000 dollars."

33. At the time of the audit (November 1993), the total figure in respect of the lists of equipment purchased under the project did not tally with the accounting figures. The responsible officials have been asked to correct the inaccuracies and to draw up the deed of assignation as soon as possible.

Project No. 3

34. Implementation of this three-year project began two months late, in September 1987. It encountered a fair number of difficulties owing to the political and social situation of the country and to problems relating to the recruitment of international experts.

35. In February 1989, an evaluation mission had formulated a whole series of recommendations which were taken into consideration in revision H, the effect of which was to increase the budget from 1,471,600 dollars to 1,812,000 dollars (+23%). The implementation of this project unfortunately had to be interrupted in 1991, owing to the troubled situation within the country. When invited to give its views on the status of the project and the objectives achieved by the time at which it was interrupted, the ITU sent the following text to my assistants: "As everyone knows, the political, economic and social situation of the country has since 1985 been very unstable, as a result of which we have encountered many problems in following the project through. Since 1988, the situation has worsened and is now completely out of control. It is unfortunately impossible to obtain any further information, since the national and counterpart staff who were responsible for the project activities have left the sector and the relevant documentation has disappeared. The project was initially suspended by UNDP in 1989 and finally terminated in 1991."

36. From the financial point of view, the project was terminated with a total expenditure of 1,609,664 dollars, the expenditure posted in 1989 having amounted to 618,572 dollars, in 1990 to 174,181 dollars, and in 1991 to 20,738 dollars. As at the time of audit (November 1993), the UNDP allocation had not yet been regularized, being 52,336 dollars too high. Furthermore, the total figure in respect of the lists of equipment purchased under the project did not tally with the accounting figures. The responsible officials have been asked to correct this inaccuracy. The deed of assignation, which cannot be signed by two of the parties, will have to be stored in the ITU's archives.

Project No. 4

37. The project document was signed in April/May 1989 with a budget of 1,255,000 dollars, comprising a government or third party participation of 705,000 dollars and a UNDP contribution of 550,000 dollars. By the conclusion of the project, the total cost had reached 1,182,841 dollars, of which 1,073,181 dollars were posted, in 1989 and 1990, under the heading "Subcontracting". Of this latter amount, 288,991 dollars were used in the purchase of non-consumable equipment.

38. The only reports that have been provided to my assistants are the progress report of January 1990 and the report on the tripartite review meeting of 11 March 1990. The ITU gave the following response when asked why the reports which, under the terms of the project document, should have been drawn up in 1991 and 1992, particularly the final report, were lacking: "The project activities were entrusted to a subcontractor (S). Since the project specifications made no provision for subcontracting, the conditions laid down for preparation of the report became redundant, the parties concerned being of the view that the study carried out by S could take the place of the final project report. Following an inspection visit to the site by the ITU project

administrator in May 1992, it was decided to organize in Geneva a meeting between the staff of the executing agency, the radio and television broadcasting representatives of the recipient country and the senior expert in sound broadcasting, with a view to examining and completing the main project activities. According to the minutes of that meeting, which took place from 29 June to 3 July 1992, the participants concluded that implementation of the project had been completed and that the activities had been carried out successfully."

39. The deed of assignation of the equipment to the Government was signed in November 1993.

Project No. 5

40. This project, which lay within the framework of the implementation and expansion of the PANAFTEL network, was named Rehabilitation and Maintenance, phase II. It was executed in parallel with another project entitled Operation and Extension. Since a total of 45 countries were involved, the necessary coordination had to be all the more present and effective.

41. The project actually got under way in March 1988, 16 months late owing to difficulties encountered in the recruitment of experts. By 1990, much of the delay had been made up, even though there continued to be problems, particularly of a budgetary nature, which prevented all of the necessary maintenance structures being introduced. As shown by the final report, the results obtained are encouraging, since most of the immediate objectives have been achieved.

42. In financial terms, the effective expenditure by comparison with the initial budget of 5,808,250 dollars amounted to 6,675,018 dollars (+15%).

43. At the time of the audit (November 1993), the total figure in respect of the lists of equipment purchased under the project did not tally with the accounting figures, nor had the deeds of assignation yet been transmitted to the various recipient countries. The ITU has been asked to deal with these two matters as soon as possible.

Comment by the Secretary-General of the ITU: "Although it is true that all of the regional projects should have commenced in January 1987, that is, at the beginning of the new IPF, UNDP New York, inundated by the number of projects proposed, was unable to authorize any project document. Finally, at the insistence of the ITU, a preparatory assistance document was signed by UNDP on 19 August 1987. By that time, two experts had already been engaged, and the coordinator took up his functions less than one month later. However, the ITU was unable to take things very much further until the main project document was approved. The signing of this document took place on 27 May 1988. By that time, two experts had already been engaged, and the six new posts to be filled as from June 1988 were filled between June 1988 and November 1988."

Keeping of the equipment inventories

44. Since 1992, the expenditures posted under the heading of equipment have no longer been processed by the ITU in such a way as to make it possible, among other things, to ensure agreement between the figures recorded in the accounts and those shown in the project inventories. As a consequence of this, my assistants are no longer able to check the accuracy of the deeds of assignation. I have drawn the attention of ITU officials to the responsibility they were assuming in adopting this method.

Conclusions

45. As a result of the operations carried out, I am able to sign the audit certificate appearing at the end of the following documents (Statement I):

- Statement of UNDP funds (Annexes 1 and 2);
- Statement of Sector Support Funds 8INT78020 (Annexes 8 and 9).

F. Faessler

Deputy Director
SWISS FEDERAL AUDIT OFFICE

(External Auditor)

Annexes:

1-2 Statement I
  - Status of Funds as at 31 December 1993
3 Report 2A
4-7 Report 3A
8-9 Statement I
  - Sectoral support project 8INT78020

Report No 1

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
(International Telecommunication Union)

Status of Funds as at 31 December 1993
(in US dollars)

Operating Fund

		$	$
Balance at 1 January 1993 (Audit Report)			(2,012,490.48)
Add:	Credit UNDP - AOSIMPLEM		(10,972.00)
	" " - SECSUP92		(75,593.00)
Balance as per OFS92/11			(2,099,055.48)
Add	Cash drawings from UNDP	8,530,000.00	
	IOVs	7,412,545.00	
	Other charges/credits (net)	(5,693,006.09)	
	Miscellaneous income + exchange adjustments (net) (report No 8)	(21,324.00)	
	Miscellaneous items refunded to UNDP (net) (Report No 8)	1,263.14	10,229,478.05
			8,130,422.57
Less	Expenditure during 1993		
	For projects:		
	Disbursements (Report No 2A)	6,486,093.00	
	Unliquidated obligations (Report No 2A)	843,379.00	
	For programme support costs (Report No 5B)	1,612,762.00	8,942,234.00
Balance at 31 December 1993			(811,811.43)
Represented by:			
Add	Cash at banks, on hand & in transit	157,242.57	
	Accounts receivable (Report No 9)	1,060,925.09	1,218,167.66
Less:	Accounts payable (Report No 10)	1,186,600.09	
	1993 unliquidated obligations (Report No 10)	843,379.00	2,029,979.09
			(811,811.43)

STATEMENT I (continued)

(UNDP)

Certified correct:

A. Tazi-Riffi
Chief of the Finance Department

Approved:

Pekka Tarjanne
Secretary-General

AUDIT CERTIFICATE

I have examined the above financial statement. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

On all essential points, the financial statement presents the financial position as at 31 December 1993 and the results of its operations for the period then ended.

For further details, I refer to my audit report which will be established at a further date.

Fässler

F. Faessler
Deputy Director
SWISS FEDERAL AUDIT OFFICE
(External Auditor)

Geneva, 29 April 1994

UNITED NATIONS DEVELOPMENT PROGRAMME

(UNDP)

Biennium 1992-1993

AUDITOR'S REPORT

The financial statements and tables relating to the participation of the World Meteorological Organization (WMO) in the United Nations Development Programme (UNDP) were submitted to your auditor in accordance with UNDP instructions for the closure of the annual accounts. The statements relating to 1992 and 1993 are presented in the form specified by UNDP. We examined them during the audit of the general budget and the related funds of the organization for the biennium 1992-1993.

I. EVOLUTION OF PROJECT EXPENDITURE

Project expenditure as such (disbursements and unliquidated obligations) for the biennium 1992-1993 amounted to $19,336,405. The major feature of the biennium was the reduction in this expenditure in comparison with the preceding biennium (-40.4 per cent).

Project expenditure fell by 22.9 per cent between 1991 and 1992 and by 39.1 per cent between 1992 ($12,015,968) and 1993 ($7,320,437).

This reduction was due both to the decline in the number of projects undertaken by UNDP and the Programme's current policy of giving priority to projects executed by Governments.

II. PROGRAMME SUPPORT COSTS

1. Modalities for remuneration of WMO - presentation in the accounts

At its thirty-eighth session in 1991 the UNDP Governing Council adopted new arrangements applicable from 1 January 1992 for the calculation of the programme support costs paid to the executing agencies.

The new arrangements did not change the WMO rate of remuneration: this remuneration, which was previously 13 per cent of project expenditure, is broken down for projects approved from 1992 into a payment of 10 per cent for administrative and operational services (AOS) and an additional payment of 3 per cent.

We noted that the presentation of the 1992 accounts (tables 1 and 2 A), although consistent with the UNDP guidelines, does not provide a breakdown, within the programme support costs, into flexibility payments, the payment for administrative and operational services (line AOS in table 2 A and figure 5 b) and the additional 3 per cent payment.

However, the presentation was made clearer in 1993, and the accounts now distinguish between these three types of remuneration.

2. Total programme support costs

The contributions requested from UNDP by WMO for project management (programme support costs + administrative and operational services + additional payment + flexibility) amounted to $3,971,619 for the biennium 1992-1993.

Particularly striking, in addition to the sharp fall in project expenditure, was the decline in the contributions paid by UNDP to WMO, which fell from $2,369,004 to $1,602,615 (-32.3 per cent).

3. Types of expenditure committed by WMO for UNDP projects (table 4)

A comparison of the evolution of expenditure by type between 1990 and 1993 shows that the overall reduction in the total WMO expenditure for UNDP projects was reflected in a reduction in every type of expenditure. However, it is capital expenditure which fell most sharply ($2,451,881 in 1993, i.e., -62.1 per cent over 1990), while expenditure on staff other than experts fell relatively less sharply ($1,328,774 in 1993, i.e., -34.3 per cent over 1990). The relative share of expenditure on staff other than experts increased from 12 per cent of total expenditure in 1990 to 18 per cent in 1993, while the share of capital expenditure declined from 38.5 per cent in 1990 to 33.5 per cent in 1993.

However, this development may be due in part to differences of type between projects, which may, or may not, include a fairly substantial capital expenditure component.

(Signed) Pierre JOXE
First President of the Court of Audit
Auditor of the World Meteorological Organization

Translated from French

COURT OF AUDIT
AUDITOR'S OFFICE
WORLD METEOROLOGICAL ORGANIZATION

UNITED NATIONS DEVELOPMENT PROGRAMME

World Meteorological Organization

Financial situation as at 31 December 1993

AUDITOR'S REPORT

For the attention of the Executive Committee of the World Meteorological Organization.

The attached statements and tables showing the financial situation of the World Meteorological Organization (WMO) in its capacity as executing agency of the United Nations Development Programme (UNDP) for the financial period ended 31 December 1993 have been examined by the external auditor. The audit was conducted in accordance with the usual audit standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. In particular, I carried out a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as were considered necessary.

As a result of the examination, I am of the opinion that the attached statements and tables present fairly the financial position as at 31 December 1993, that the results of the operations in the biennium 1992-1993 are presented in accordance with the stated accounting principles, and that the transactions brought to our attention during the audit were in accordance with the financial regulations and legislative authority.

(*Signed*) Pierre JOXE
First President of the Court of Audit
Auditor of the World Meteorological Organization

Report No 1

STATEMENT I

United Nations Development Programme
WORLD METEOROLOGICAL ORGANIZATION
Status of Funds as at 31 December 1993
(in US dollars)

1992	Operating Fund				1993
(2 140 777)	Balance at 1 January 1993				(368 054)
5 244 671	Add	Cash drawings from UNDP		1 309 015	
10 817 352		IOVs		8 922 797	
166 151		Other charges/credits (net)		(698 821)	
(91 230)		Miscellaneous income and exchange adjustments (net)	(Report No 8)	(47 700)	
20 751		Miscellaneous items refunded to UNDP (net)	(Report No 8)	(386)	
					9 484 905
14 016 918					9 116 851
	Less	Expenditure during 1993			
		For projects			
10 303 085		Disbursements	(Report No 2A)	5 803 270	
1 712 883		Unliquidated obligations	(Report No 2A)	1 517 167	
2 309 986		For programme support costs	(Report No 5B)	819 893	
59 018		AOS	(Report No 2A)	101 396	
		Additional charge to UNDP resources	(Report No 2A)	681 326	
					8 923 052
-	Add	Adjustment to prior year's expenditure	(Report No 2B)	-	
-		Adjustment to prior year's programme support costs	(Report No 2B)	-	
-		Adjustment to prior year's AOS	(Report No 2B)	-	
					-
(368 054)	Balance at 31 December 1993				193 799
	Represented by				
547 361	Cash at banks, on hand and in transit				466 277
1 577 711	Accounts receivable		(Report No 9)		1 762 916
2 125 072					2 229 193
780 243	Less	Accounts payable	(Report No 10)	518 227	
1 712 883		1993 Unliquidated obligations	(Report No 2A)	1 517 167	
					2 035 394
(368 054)					193 799

CERTIFIED CORRECT

(T C Joel)
Acting Chief, Finance and Budget Division

APPROVED

(G O P Obasi)
Secretary-General

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UNITED NATIONS DEVELOPMENT PROGRAMME

INTERNATIONAL MARITIME ORGANIZATION

1. Introduction

1.1 The transactions of the International Maritime Organization as an executing agency of the United Nations Development Programme, during the year ended 31 December 1993, are recorded in the annexed Statement I and the accompanying schedules in the form prescribed by UNDP.

2. Status of Funds: Statement I

2.1 Cash drawn from UNDP during the year amounted to $2,209,677 whilst payments made on behalf of IMO directly from UNDP funds for programme expenditure and charged to IMO by inter-office vouchers, totalled $1,671,776. Net miscellaneous charges were $81,522.

2.2 Expenditure on project activities during 1993 amounted to $2,687,602 (compared with $3,555,719 in 1992) made up of disbursements of $2,241,918 plus unliquidated obligations of $445,684. Programme support costs of $590,959 brought the total expenditure to $3,278,561.

2.3 The support costs of $590,959 charged in the account to meet the cost of IMO's technical and administrative support of the programme, consists of 13% of the $2,687,602 project expenditure less refund of $1,427, plus an amount of $241,756 claimed under the arrangement for support cost flexibility for small agencies approved by the UNDP Governing Council.

2.4 Balance of the Operating Fund as at 31 December 1993 amounted to $1,055,968 and was represented by:

Cash at bank		$526,570
Accounts receivable		$1,180,741
		$1,707,311
Less: Accounts payable	$205,659	
1993 unliquidated obligations	$445,684	
		$651,343
Balance as at 31 December 1993		$1,055,968

W.A. O'NEIL
Secretary-General

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INTERNATIONAL MARITIME ORGANIZATION AS EXECUTING AGENCY FOR THE UNITED NATIONS DEVELOPMENT PROGRAMME FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1993

OPINION OF THE EXTERNAL AUDITOR

To : The Assembly of the International Maritime Organization

I have examined the appended financial statements, comprising the Status of Funds Statement (Statement I), Reports 2A to 4, and supporting Notes of the International Maritime Organization as Executing Agency for the United Nations Development Programme for the year ended 31 December 1993, in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

As a result of my examination, I am of the opinion that the financial statements present fairly the financial position as at 31 December 1993 and the results of the operations for the year then ended; that they were prepared in accordance with the Organization's stated accounting policies applied on a basis consisitent with the preceding financial period; and that the transactions were in accordance with the Financial Regulations and legislative authority.

I have no observations to make on these financial statements.

John Bourn

4th May 1994

Sir John Bourn
(Comptroller and Auditor General, United Kingdom)
External Auditor

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STATEMENT 1

Report No.1

UNITED NATIONS DEVELOPMENT PROGRAMME
International Maritime Organization

Status of Funds as at 31 December 1993

(expressed in US Dollars)

1992				1993
97,752	Balance as at 1 January 1993			371,554
3,230,789	Add:	Cash drawings from UNDP	2,209,677	
1,502,287		Inter-office vouchers	1,671,776	
(74,264)		Other charges/credits (net)	64,559	
(32,505)		Miscellaneous income and exchange adjustments (net)	15,536	
(16,610)		Miscellaneous items refunded to UNDP (net)	1,427	3,962,975
4,707,449				4,334,529
	Less:	Project expenditure during 1993		
(2,897,022)		Disbursements (Report 2A)	2,241,918	
(658,697)		Unliquidated obligations (Report 2A)	445,684	
(780,176)		For programme support costs	590,959	(3,278,561)
371,554				1,055,968
	Represented by:			
564,360	Cash at banks, on hand and in transit			526,570
612,980	Accounts receivable			1,180,741
1,177,340				1,707,311
(147,089)	Less:	Accounts payable	205,659	
(658,697)		1993 Unliquidated obligations (Report 2A)	445,684	(651,343)
371,554				1,055,968

D. MUTHUMALA
Head, Finance and Budget Section

W.A. O'NEIL
Secretary General

Translated from French

Swiss Federal Audit Office
944.0.1.25/92

3003 Berne, 11 May 1994
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WORLD INTELLECTUAL PROPERTY ORGANIZATION, GENEVA

ACCOUNTS OF THE TECHNICAL COOPERATION PROJECTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME

1993 financial year

Auditor's report

TERMS OF REFERENCE

1. In accordance with the agreements concluded between the World Intellectual Property Organization (WIPO) and the Government of the Swiss Confederation on the external audit of accounts, and pursuant to article XVII of the Financial Regulations and Rules of the United Nations Development Programme (UNDP) and article XI (3) of the Agreement signed in 1978 by UNDP and WIPO, I have, in my capacity as External Auditor, examined the technical cooperation project accounts, stated in United States dollars, for the year ended 31 December 1993.

2. In the course of this work, which was carried out at the headquarters of the International Bureau of WIPO at Geneva, I was assisted by several qualified officials from the Swiss Federal Audit Office.

3. I wish to express my appreciation for the courteous way in which all the staff members of the International Bureau of WIPO called upon to do so provided the information and documents required for the performance of my assignment.

4. During the audit, the findings and comments were routinely discussed with Mr. T. A. J. Keefer, Director of the Budget and Finance Division of WIPO, Mr. P. Favatier, Head of the Finance Section, and Mr. M. Pautasso, Principal Officer, Development Cooperation Programme Support Unit.

AUDIT AND FINDINGS

General remarks

5. The audit was carried out in accordance with generally accepted accounting principles, the terms of reference annexed to the WIPO Financial Regulations and the UNDP rules. The audit guidelines adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency were followed in so far as they were relevant to the audit.

6. Audit testing was performed in order to ascertain how changes in expenditure and income for the financial year, and in cash items, were reflected in the accounts. The accuracy of the entries in the financial statements as at 31 December 1993 (reports Nos. 1, 2A 3 and 13) was checked. The cash-account balance as at the same date was checked against the bank statement. The other main entries under assets and liabilities were audited.

Reconciliation with the last Operating Fund Statement (OFS)

7. The last UNDP statement of accounts (OFS 93-12) as at 31 December 1993 and the accounts kept by the International Bureau of WIPO were reconciled and showed a difference of $116,127.69. In its fax of 22 April 1994, UNDP stated: "The figures included in Reports 1-30 (excluding AOS calculations) have been accepted into UNDP's books of records. We confirm that $116,127.69 considered by WIPO as income in 1993 should remain but will be subject to any subsequent adjustments in 1994 based on UNDP's detailed review of AOS calculations."

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Liquid assets

8. For the period January to October 1993, the auditors analysed the justification for UNDP fund-raising initiatives and whether such funds were accurately recorded. My colleagues also verified that the clearing account of the International Bureau of WIPO was adjusted monthly.

Sectoral support allocation

9. For 1993, UNDP approved proposals by the International Bureau of WIPO for a total of $180,500. The programme submitted provided for the financing of the activities of the interregional sectoral adviser until the completion of his mandate, that is to say, during the first two months of the year, and 26 sectoral support missions by consultants. One report covering the year 1993 was submitted by the WIPO International Bureau to the UNDP Bureau for Programme Policy and Evaluation.

10. The expenses recorded under this heading, totalling $151,736.64, break down into salaries, in the amount of $20,219.55, external consultancy costs, in the amount of $52,967.52, and mission and miscellaneous costs, in the amount of $78,549.57.

Unliquidated obligations

11. Out of the total amount brought forward from the 1992 financial year ($438,067), $26,411.22 or 6.03 per cent, was credited to the various project accounts previously debited, with obligations slightly exceeding expenditure. An amount of $22,465.51 was carried forward under the heading of accounts payable. This represents the total unliquidated obligations for the financial year under review.

12. The unliquidated obligations for 1993 shown in report No. 1, namely of $176,007, were entered in accordance with the instructions of the Director of the Division of Finance of UNDP (interoffice memorandum of 1 November 1993). With specific reference to equipment, unliquidated obligations were recorded when an order had been placed before 31 December 1993 and the corresponding appropriation entered in the budget for the 1993 financial year. For local procurement, the executing agency's purchase authorization was regarded as the same equivalent to a purchase order.

Support costs

13. The support costs recorded in the accounts by the International Bureau of WIPO were based on the expenditures and unliquidated obligations in respect of IPF projects and, with the approval of the Administrator of UNDP, to the GCCC project. The rate applied was 13 per cent, to which a further 9 per cent was added as a flexibility payment for a turnover of under $8 million.

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Project expenditures

14. My colleagues used spot checks to verify the expenditures reported for the various projects and whether they were accurately recorded. They also ascertained that purchasing procedures had been followed and that the equipment acquired during the 1993 financial year had been properly inventoried.

Project execution

15. The budgetary and financial development of certain projects was examined on the basis of documents available at the headquarters of the International Bureau of WIPO. By analysing the reports referred to in UNDP regulations, including progress reports, reports on tripartite reviews, evaluation reports and final reports, my colleagues were able to assess the extent to which project objectives had been attained. My summary of the findings with respect to three projects is as follows:

Project No. 1

16. The objectives of the project were to promote the utilization of the services of the National Institute of Industrial Property (INPI) by modernizing and streamlining its structures for the compilation, classification and dissemination of information in the field of industrial property.

17. The project received advance authorization from UNDP, effective in October 1986 and revised in February 1987. The project document prepared by the International Bureau of WIPO in January 1987 was approved by the Government and UNDP in 1988 (revision D). Budgeted at $200,000, activities began in 1987 and were scheduled to last three years. The project document provided for government participation in cash and in kind.

18. The 1988 project execution evaluation report (PEER) noted the considerable delay in the execution of the project owing to the late approval of the project document. The report recommended that the objectives, results and activities of the project should be adapted to the current situation and needs of INPI.

19. The considerable delay in the progress of the project was also noted by the tripartite review meeting held on 7 December 1990. None of the objectives of the project had been achieved. The provision in the national legislation that computer equipment must be purchased locally made it difficult to acquire the necessary equipment. As a result, none of the computer equipment required for the project was purchased and project execution slowed noticeably.

20. Another difficulty noted was the depreciation of the national contribution due to hyperinflation and the rapid devaluation of the local currency. In order to remedy those problems, it was decided that the country would execute a complementary national project with the objective of acquiring computer equipment and that the UNDP project would assist the national project only in the form of consultancy missions and training courses. Because of the late approval of the national project, however, such mutual support proved impossible. In January 1991, the project was subjected to a substantial

/...

revision (H), and it was extended to April 1991. The final revision (K) was signed in May 1992, the UNDP contribution being set at $201,449.

21. In addition to the national project, it was agreed that the executing agency would prepare a new proposal in the form of preparatory assistance, with the objective of identifying INPI computer requirements. This document was approved in March 1991 by UNDP and, as a result, a preparatory assistance project was established within the framework of which the WIPO International Bureau in July 1991 submitted a comprehensive plan to the Government and UNDP for the modernization and automation of INPI operations.

22. As is indicated in the final report of May 1992, although the results initially envisaged have not all been attained, the project can nevertheless be regarded as an important step forward in the modernization of INPI.

Project No. 2

23. The purpose of this project was to strengthen the system of patents by, *inter alia*, establishing an information service on national patents. Project objectives were to have been achieved in two years, with an initial budget of $124,000.

24. The activities, which were scheduled to begin in January 1989, experienced a six month delay owing to the late approval of the project (March 1989) and the difficulties encountered in the recruitment of experts.

25. In 1990, work on the project was delayed somewhat, principally because of problems related to the acquisition of equipment and technical documentation which resulted from the national office's late transmittal to the WIPO International Bureau of the detailed request on choice of equipment. This situation was due partly to the relocation of the national office to new premises and to the national parliament's delay in approving a new law on patents and industrial designs and models.

26. In late 1991, the project was extended to the end of 1992 because the computer equipment was delivered late, after encountering customs difficulties, and certain missions were postponed.

27. The penultimate revision (G) of 15 April 1993 establishes a contribution of $139,681 for UNDP. The final revision was prepared by the International Bureau of WIPO and sent to UNDP on 1 March 1994. The document authorizing the transfer of the equipment was signed on 23 May 1993.

28. According to the statements made to my colleagues, the project has progressed quite satisfactorily and can be considered highly successful.

Project No. 3

29. The main goal of the project was to improve the situation of the participating countries in terms of the human and technical resources required in the area of information and documentation on patents. With an estimated cost of $200,095, project activities were scheduled to begin in January 1990 and last

for two years. In fact, work began only in October 1990 because the Steering Committee which the executing agency had set up for the purpose was unable to meet until early October and had still to designate the pilot countries in which the project activities would take place.

30. Since no software was developed despite the provision of $20,000 under heading 21 for that purpose, the supply of CD-ROM disks was substituted, hence the figure of approximately $18,000 for spending in excess of the initial estimates under budget heading 42.

31. This project was the object of a final report in December 1992 and of two project execution evaluation reports (PEER) in March and December 1991, respectively. The latter noted that the project had been successfully executed and that it had been completed. The total resources utilized amounted to $188,955. Because of an error in the final revision (E), the figure given for the total contributions of UNDP being lower than the figure in the accounts, the International Bureau of WIPO prepared a corrigendum on 14 January 1994 and sent it to UNDP for approval.

32. The equipment was transferred to the eight participating countries. The transfer documents of three of the recipient countries had still not been signed and returned to the International Bureau of WIPO at the time of the audit. A reminder was sent to the countries concerned on 13 January 1994.

FINDINGS

33. In light of the audit performed, I am able to issue the audit certificate which is appended to the following documents:

- Status of UNDP funds (annex No. 1)
- Status of UNDP Trust Funds (annex No. 4)

(Signed) F. FAESSLER
Deputy Director
Swiss Federal Audit Office
(External Auditor)

Annexes:

1. Report No. 1 (Statement I)
    - Status of Funds as at 31 December 1993
2. Report No. 2A
3. Report No. 3
4. Report No. 13 (Statement I)
    - Trust Fund for the Training in the Russian Federation of Specialists from Developing Countries

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
WIPO

Status of Funds as at 31 December 1993
(in US dollars)

Operating Fund	$	$	Comparative figures 1992 $
Balance at 1 January 1993		(294,127.46)	(520,193.64)
Add: Cash drawings from UNDP	330,000.00		
IOVs	1,828,590.00		
Other charges/credits (net)	(150,486.64)		
Miscellaneous income and exchange adjustments (net)(Report No. 8)	1,601.54		
Miscellaneous items refunded to UNDP (net) (Report No. 8)	166.90	2,009,871.80	1,652,703.52
Less: Expenditure during 1993 (Report No. 2A)			
For projects			
Disbursements	1,280,971.50		
Unliquidated obligations	176,007.00		
For programme support costs	138,167.17		
For AOS	83,301.80		
Additional charge to UNDP resources	99,962.16	(1,778,409.63)	(1,426,637.34)
Balance at 31 December 1993		(62,665.29)	(294,127.46)
Represented by:			
Cash at banks, on hand and in transit	17,047.86		
Accounts receivable (Report No. 9)	130,507.37	147,555.23	217,735.17
Less: Accounts payable (Report No. 10)	34,213.52		
1993 Unliquidated obligations (Report No. 2A)	176,007.00	(210,220.52)	(511,862.63)
		(62,665.29)	(294,127.46)

CERTIFIED CORRECT

Philippe Favatier
Head Finance Section

APPROVED

T.A.J. Keefer
Controller

AUDIT CERTIFICATE

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STATEMENT I (continued)

(UNDP)

Audit Certificate

I have examined the above financial statement. My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances.

The financial statement presents fairly the financial position as at 31 December 1993 and the results of its operations for the period then ended.

For further details, I refer to my audit report of 11 May 1994.

11 May 1994

F. Faessler

Deputy Director
SWISS FEDERAL AUDIT OFFICE

(External Auditor)

/...

AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

240 Sparks Street
Ottawa, Ontario
K1A 0G6

12 April 1994

Sir John Bourn, KCB
Chairman
United Nations Board of Auditors
One United Nations Place
New York, New York, United States
10017

Dear Sir John:

In my capacity as external auditor of the International Atomic Energy Agency (the Agency), I have reported under the date of 18 March 1994 on the Agency's financial statements for the year ended 31 December 1993. I enclose one copy of the audited financial statements of the Agency together with my report thereon.

I conducted my audit in accordance with generally accepted auditing standards, conforming with international standards on auditing and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I did not perform audit tests for the purpose of expressing an opinion on individual balances or accounts or summaries of related transactions such as those enumerated below, and accordingly, I express no opinion on any such balances, accounts or summaries.

The procedures that were performed included the addition of the schedules, agreement of the amounts to the trial balance of the Agency and to the final audited financial statements, and a review of the 1993 Year End Closure of Accounts of the UNDP and UNDP Administered Trust Funds Instructions to identify discrepancies in the accounting policies between the IAEA and the UNDP.

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In this context, and in accordance with your request, I advise that to the best of my knowledge the following statements and schedules have been extracted from the underlying accounting records of the Agency as at 31 December 1993, and I have no reason to believe they have not been prepared in accordance with the UNDP Interoffice Memorandum dated 1 November 1993 on the year end closure of UNDP and UNDP Administered Trust Funds except for unliquidated obligations as noted in the last paragraph.

I understand that you will rely upon my work and my report relating to the overall financial statements of the Agency in forming your opinion on the accounts of UNDP for the year ended 31 December 1993 which will include the UNDP and UNFSSTD Statements referred to below. I know of no reason why the enclosed financial statements cannot be used for this purpose and I know of no information not fully disclosed in the financial statements which should be considered by you in relation to such purpose.

(1) United Nations Development Programme statements, International Atomic Energy Agency

Statement 1, Status of Funds as at 31 December 1993
Report No. 2A, Expenditure by source of funds for the year ended 31 December 1993
Report No.3A, Expenditure by Country for the year ended 31 December 1993
Report No. 4, Expenditure by Component for the year ended 31 December 1993

(2) United Nations Financing System for Science and Technology for Development, International Atomic Energy Agency

Statement I, Status of Funds as at 31 December 1993
Statement II, Status of Funds as at 31 December 1993
Report No. 15A, Project expenditure for the year ended 31 December 1993
Report No. 17, Expenditure by Component for the year ended 31 December 1993

Please be advised that the Agency's treatment of unliquidated obligations may not be the same as those used by the UNDP. We advise you to read the description in the notes to the financial statements and our audit report to clarify these policies.

Yours sincerely,

L. Denis Desautels

L. Denis Desautels, FCA
Auditor General of Canada

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AUDIT OPINION

To the General Conference of the
International Atomic Energy Agency

I have audited the appended financial statements, numbered I.A to V.2, properly identified, of the International Atomic Energy Agency for the year ended 31 December 1993. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, conforming with international standards on auditing, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion these financial statements are in accord with the books and records of the Agency and present fairly, in all material respects, the financial position of the Agency as at 31 December 1993 and the results of its operations for the year then ended in accordance with the Agency's accounting principles set out in Note 2 to the financial statements.

Further, in my opinion the transactions of the Agency that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the Financial Regulations and Legislative Authority of the Agency.

Additional information and comments on the financial statements and this opinion are included in the observations in my long form report.

L. Denis Desautels.

L. Denis Desautels, FCA
Auditor General of Canada
External Auditor

Ottawa, Canada
18 March 1994

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Report No. 1

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)

Status of Funds as at 31 December 1993
(in US dollars)

OPERATING FUND

Balance as at 1 January 1993	343 868
Add: Cash refunded to UNDP (net)	(3 596 060)
IOVs	3 866 370
Other charges/credits (net)	587 505
Miscellaneous items refunded to UNDP (net) (Report No.8)	3 456
	1 205 139
Less: Expenditure during 1993	
For projects	
Disbursements (Report No. 2A)	764 489
Unliquidated Obligations (Report No. 2A)	240 046
For programme support costs (Report No.5B)	146 931
AOS (Report No.2A)	60 077
Additional charge to UNDP resources (Report No.2A)	18 023
	1 229 566
Balance at 31 December 1993	**(24 427)**

Represented by:	
Cash at banks	213 800
Accounts receivable (Report No.9)	122 263
	336 063
Less: Accounts payable (Report No.10)	120 444
1993 Unliquidated obligations (Report No.2A)	240 046
	360 490
APPROVED	**(24 427)**

ANDRE R. GUE
Director, Division of Budget and Finance

HANS BLIX
Director General

/...

INTERNATIONAL TRADE CENTRE (ITC)

III. AUDIT OPINION

We have examined the following appended financial statements, numbered I to VII, properly identified, the relevant schedules, the supporting explanatory notes and the annex of the International Trade Centre for the financial period ended 31 December 1993 in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As a result of our examination, we are of the opinion that the financial statements present fairly the financial position of the International Trade Centre as at 31 December 1993 and the results of its operations for the financial period then ended; that they were prepared in accordance with the stated accounting policies which were applied on a basis consistent with that of the preceding financial period, and that the transactions were in accordance with the Financial Regulations and legislative authority.

In accordance with our usual practice, we have issued a long form report on our audit of the financial statements of the International Trade Centre, as provided for in the Financial Regulations.

(*Signed*) John BOURN
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(*Signed*) Osei Tutu PREMPEH
Auditor-General of Ghana

(*Signed*) Codanda Ganapathy SOMIAH
Comptroller and Auditor General
of India

30 June 1994

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME
International Trade Centre (ITC)

Status of funds as at 31 December 1993
(Expressed in US dollars)

Operating Fund

Balance at 1 January 1993		683,475
Add: Cash drawings from UNDP	2,974,177	
IOVs	3,109,597	
Other charges/credits (net)	(718,134)	
Miscellaneous income and exchange adjustments (net) (Report NO. 8)	(11,389)	
Miscellaneous items refunded to UNDP (net) (Report No. 8)	24,944	5,379,195
		6,062,670
Less: Expenditure during 1993		
For projects		
Disbursements (Report No. 2A)	4,035,520	
Unliquidated obligations (Report No. 2A)	1,252,705	
For programme support costs 1/ (Report No. 5A)		
AOS (Report No. 2A)	1,157,921	
Additional charge to UNDP resources (Report No. 2A) 2/	-	(6,446,146)
		(383,476)
Add/ Adjustment to prior year's expenditure (Report No. 2B)	-	-
Subtract: Adjustment to prior year's programme support costs (Report No. 2B)	-	-
Balance at 31 December 1993		(383,476)
Represented by:		
Cash at banks, on hand and in transit		84,238
Accounts receivable (Report No. 9)		1,461,472
		1,545,710
Less: Accounts payable (Report No. 10)	676,481	
1993 Unliq. obligations (Report No. 2A)	1,252,705	(1,929,186)
		(383,476)

CERTIFIED CORRECT

APPROVED

AUDIT CERTIFICATE

UNITED NATIONS DEVELOPMENT PROGRAMME

REPORT OF THE EXTERNAL AUDITORS ON THE ACCOUNTS OF THE WORLD TOURISM ORGANIZATION AS AN EXECUTING AGENCY FOR THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) FOR THE FINANCIAL YEAR 1993

1. We have carefully examined the financial statements and schedules relating to the financial year 1993, submitted to us by the World Tourism Organization (WTO) in its capacity as an executing agency for the funds allocated to it by the United Nations Development Programme (UNDP).

2. We have jointly and separately reviewed the accounting procedures and such texts of the accounting records and other supporting evidence as we considered necessary in the circumstances.

3. As a result of our examination, we are of the opinion that, from the accounting standpoint, the financial statements properly reflect the financial transactions for the year 1993, which were in accordance with the Financial Regulations and the budgetary and other applicable provisions, thus presenting fairly the financial position at 31 December 1993.

4. The Accounts Receivable US $14,876.25 includes an incorrect debit of US$14,000.00 to WTO by UNDP Nicaragua in respect of IOV-NIC 171 (WMO) in June 1993. Though immediate action had been taken to inform UNDP Nicaragua to make the necessary corrections, this amount remains unsettled to-date.

5. We are pleased to note that action is being taken to complete the computer programme to enable the WTO to implement the proposed revisions to UNDP Financial Reporting as early as possible.

6. We wish to express our gratitude to the Secretary-General of the World Tourism Organization for the continued co-operation we received from him and his staff, and in particular to the Programme Support Division, for their diligent and cordial assistance throughout the audit.

Madrid, 16 March 1994

A. Turrión Macias
(Spain)

T.M.A.V.S. Fernando
(Sri Lanka)

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Report Nº 1

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

World Tourism Organization

Status of Funds as at 31 December 1993

(in US dollars)

Operating Fund

Balance at 1 January 1993		7,678.23
Add: Cash drawings from UNDP	1,870,000.00	
IOV's	492,128.14	
Other charges/credits (net)	(311,750.21)	
Miscellaneous income and exchange adjustments (net) **(Report Nº 8)**	7,592.83	2,057,970.76
		2,065,648.99
Less: Expenditure during 1993		
For projects		
Disbursements **(Report Nº 2A)**	1,336,111.05	
Unliquidated Obligations **(Report Nº 2A)**	343,895.00	
For programme support costs **(Report Nº 5A)**	369,601.33	2,049,607.38
Balance at 31 December 1993		16,041.61
Represented by:		
Cash at banks		378,370.61
Accounts receivable **(Report Nº 9)**		14,876.25
		393,246.86
Less: Accounts payable **(Report Nº 10)**	33,310.25	
1993 unliquidated obligations **(Report Nº 2A)**	343,895.00	377,205.25
		16,041.61

CERTIFIED CORRECT

Eduardo Ramos
Chief, Programme Support Division

APPROVED

Antonio Enriquez Savignac
Secretary General

AUDIT CERTIFICATE

A. Turrión Macías
(Spain)

T.M.A.V.S. Fernando
(Sri Lanka)

Akintola Williams & Co

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REPORT OF THE EXTERNAL AUDITORS OF THE AFRICAN DEVELOPMENT BANK ON THE PROJECT ACCOUNTS OF THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) FOR THE YEAR ENDED 31 DECEMBER 1993

In accordance with Article XI.3 of the Agreement dated 04 March 1977 between the United Nations Development programme and the African Development Bank, we have audited the accompanying financial statement for the year ended 31 December 1993. The statements are in agreement with the books of account of the African Development Bank which record the financial aspects of the projects.

Our examination was made in accordance with international standards on auditing and accordingly included such tests of the accounting records and such other auditing procedures as we considered necesary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the project as of 31 December 1993 and the results of its operations for the year then ended and, in conformity with the terms of the Agreement referred to above as well as the Agreement which governs the individual projects.

Akintola Williams & Co.
AKINTOLA WILLIAMS & CO.
ABIDJAN 22 APRIL, 1994

AFRICAN DEVELOPMENT BANK

STATUS OF FUNDS AS AT 31 DECEMBER 1993 (IN US$)

OPERATING FUND		US$	US$
Balance at 1 January 1993			151,391
Add:	Cash drawings from UNDP	60,000	
	IOVs	11,728	
	Other Charges (net)	8,991	
	Prior Year adjustmnets	(114)	
	Miscellaneous income and exchange adjustments (net)	11,244	91,849
			243,240
Less:	Expenditure during 1993 For Projects		
	Disbursements (Schedule 1A)	(256,368)	
	For programme support costs (Schedule 1A)	(33,328)	(289,696)
			(46,456)
Add:	Adjustment to prior year expenditure (Schedule 1B)	75,940	
	For programme support costs (Schedule 1B)	9,872	85,812
			39,356
Represented by:			
Cash at banks			124,407
Accounts receivable (Schedule 8)			1,153
Less:	Accounts payable (Schedule 9)		(86,204)
			39,356

Deloitte &
Touche

50 Fremont Street
San Francisco, California 94105-2230
Telephone (415) 247-4000
Facsimile (415) 247-4329

INDEPENDENT AUDITORS' REPORT

Asian Development Bank - Executing Agency
for the United Nations Development Programme:

We have audited the Statements of Status of Funds as at 31 December 1993 and 1992 (Statement I) relating to funds for projects as to which the Bank is the Executing Agency for the United Nations Development Programme. These financial statements are the responsibility of the Executing Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Notes A and B to Statements of Status of Funds, the financial statements were prepared in accordance with the format and accounting practices prescribed by United Nations Development Programme ("UNDP"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, such financial statements present fairly, in all material respects, the status as at 31 December 1993 and 1992 of funds for projects as to which the Bank is the Executing Agency for the United Nations Development Programme and the receipts and expenditures of such funds for the years then ended on the basis of accounting described in Notes A and B.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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Supplemental Schedules:

Expenditures by Source of Funds for the year ended
31 December 1993 (Report No. 2A)

Expenditures by Country for the year ended
31 December 1993 (Report No. 3A)

Expenditures by Component for the year ended
31 December 1993 (Report No. 4)

These schedules are the responsibility of the Executing Agency's management.

Such schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche

23 February 1994

SUPPLEMENTARY INFORMATION PROVIDED BY DELOITTE AND TOUCHE, 23 FEBRUARY 1994, ON THE AUDIT OF THE ACCOUNTS OF THE ASIAN DEVELOPMENT BANK

SECTION I - SUMMARY OF OBSERVATIONS AND CONCLUSIONS

The following is a summary of our observations and conclusions resulting from the work performed as set forth in Sections II, III and IV.

- UNDP-financed projects assigned to the Asian Development Bank as Executing Agency are being administered by the Bank on a regular and timely basis.
- The Bank appears to be taking appropriate follow-up actions, to the extent practicable, on problems identified in consultants' progress reports.
- The Bank is complying with its established procurement procedures pertaining to the engagement of consultants.
- No material weaknesses were identified in the internal control structure.

SECTION II - PRINCIPAL AUDIT PROCEDURES

Our audits of the financial statements and the supplemental schedules referred to previously were conducted in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. Our consideration of the internal control structure is separately described in Section IV. Other principal audit procedures which we believe would be of interest to the Governing Council of the UNDP are briefly described as follows:

Cash at Banks - Obtained confirmations of bank balances as of 31 December 1993 and tested related bank reconciliations.

Advances - Requested positive confirmation of recorded amounts for a judgmental selection of accounts as of 30 September 1993. Differences disclosed in confirmation replies were satisfactorily resolved.

Accounts Payable and Unliquidated Obligations - Requested independent confirmations from vendors selected from cash-disbursements records. Differences disclosed in confirmation replies were satisfactorily resolved and appropriate supporting documentation was examined for the accounts for which no confirmation reply was received.

/...

Reviewed subsequent disbursement records and unpaid vendors invoices for possible unrecorded liabilities at 31 December 1993. Only immaterial exceptions were noted and no adjustments were made by the Executing Agency.

Cash Drawings, IOVs and Other Charges - Requested positive confirmation of 1993 amounts directly from UNDP. Minor differences were satisfactorily reconciled.

Project Expenditures - Selected individual disbursements on a test basis and examined supporting documents for propriety of project distribution and for approval and other independent indications of validity.

Programs Support Costs - Recomputed total costs for 1993 which were based on 13% of project expenditures in accordance with correspondence between the Bank and UNDP.

SECTION III - ADDITIONAL PROCEDURES

In connection with our audits of the UNDP financial statements and the supplemental schedules, we performed the following additional procedures as requested by you.

Contracts with Consultants - We selected all of the only two projects to which expenditures were substantially started in 1993. For each of the selected projects we ascertained, by reference to supporting contract documentation, that the Bank had complied with its procurement procedures pertaining to the engagement of technical assistance consulting firms' consultants as provided for in its published guidelines approved by the Board of Directors.

Review of Selected Projects - We selected three of the thirty-six UNDP-financed projects being administered by the Bank as of 31 December 1993 and performed the following procedures for each of the selected projects:

- Compared project expenditures accumulated through 31 December 1993, in total and (where applicable) by component, to the related budget.
- Reviewed the project's progress to date in relation to the anticipated progress outlined in the underlying project documents.
- Read progress reports issued during the year by the consultant in charge.

/...

In performing the foregoing procedures, nothing came to our attention that caused us to believe that the projects were not being monitored, or that progress reports were not being submitted, on a timely basis. Furthermore, the Bank appears to be taking appropriate follow-up actions, to the extent practicable, with respect to problems identified in the progress reports.

SECTION IV - INTERNAL CONTROL STRUCTURE

In planning and performing our audits, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under generally accepted auditing standards.

The management of the Bank is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures.

The objectives of the internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles or other comprehensive basis of accounting.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

/...

STATEMENT I

UNITED NATIONS DEVELOPMENT PROGRAMME

Asian Development Bank
(Executing Agency)

Status of Funds as at 31 December 1993 and 1992
(Expressed in US Dollars)

Operating Fund		1993	1992
Balance at 1 January 1993		($ 1,405,252.80)	($ 1,102,746.04)
Add: Cash drawings from UNDP		$ 5,800,000.00	$ 8,450,000.00
IOVs		304,358.67	153,379.65
Other charges/credits (net)		44,412.64	(528,599.88)
Miscellaneous income and exchange adjustments (net)		6,826.69	13,612.47
Miscellaneous items refunded to UNDP (net)		64,559.58	46,797.95
		6,220,157.58	8,135,190.19
		4,814,904.78	7,032,444.15
Less: Expenditures			
For Projects:			
Disbursements	(Report No. 2A)	3,160,777.62	5,581,286.58
Unliquidated obligations	(Report No. 2A)	1,774,684.19	1,873,312.49
For programme support costs	(Report No. 2A)	641,610.04	969,097.88
		5,577,071.85	8,423,696.95
Add/Subtract:			
PSC for additional audit services		15,000.00	14,000.00
		5,592,071.85	8,437,696.95
Balance at 31 December 1993		($ 777,167.07)	($ 1,405,252.80)
Represented by:			
Cash at banks, on hand and in transit		$ 766,738.51	$ 293,838.77
Accounts Receivable (Note C)		988,803.53	994,185.26
		1,755,542.04	1,288,024.03
Less: Accounts Payable (Note D)		758,024.92	819,964.34
Unliquidated Obligations	(Report No. 2A)	1,774,684.19	1,873,312.49
		2,532,709.11	2,693,276.83
		($ 777,167.07)	($ 1,405,252.80)

See notes to financial statements.

CERTIFIED CORRECT:

LOUIS WONG
Assistant Controller

APPROVED:

IVAN L. ZIMONYI
Controller

/...

Coopers
&Lybrand

certified public accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the International Monetary Fund
and Board of Auditors United Nations

We have audited the accompanying reports; Status of Operating Funds (Report 1), Aggregate Expenditure Report by Source of Funds (Report 2A), Expenditure Report by Country (Report 3A), and Expenditure by Component (Report 4) (collectively, reports) of the International Monetary Fund (Fund) as executing agency, associated agent and cooperating agent for certain United Nations Development Programme projects as of December 31, 1993 and for the year then ended. These reports are the responsibility of the Fund's management. Our responsibility is to express an opinion on these reports based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the reports are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the reports. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall reports presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying reports were prepared for the purpose of reporting transactions of the International Monetary Fund as executing agency, associated agent and cooperating agent of the United Nations Development Programme. The reports have been prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme, as described in Note A, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the reports referred to above present fairly, in all material respects, the status of funds of the International Monetary Fund as executing agency, associated agent and cooperating agent for certain United Nations Development Programme projects as of December 31, 1993 and expenditures for the year then ended, on the basis of accounting described in Note A.

This report is intended solely for the International Monetary Fund for filing with the United Nations Development Programme and other interested parties and should not be used for any other purpose.

Coopers & Lybrand

March 18, 1994
Washington, D.C.

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Report No. 1

International Monetary Fund
United Nations Development Programme
Status of Operating Funds
as at December 31, 1993
(in US dollars)

Balance at January 1, 1993		$ (529,750.20)
Add:		
Cash drawings from UNDP	$ 4,900,000.00	
IOV's	2,152,646.92	
Other charges/credits	(107,090.92)	
Expenditure by Associated Agency (Report 25)	28,961.90	6,974,517.90
		$ 6,444,767.70
Less:		
Expenditure during 1993 as Agent:		
For projects:		
Disbursements (Report 2A)	$ 4,709,847.99	
Unliquidated obligations (Report 2A)	0.00	
For program support costs (Report 2A)	612,280.24	(5,322,128.23)
Expenditure during 1993 as Associated Agent:		
Project Disbursements (Report 24)	$ 603,657.17	
Program Support costs (Report 24)	78,475.43	(682,132.60)
Expenditure during 1993 as Cooperating Agent:		
Project Disbursements (Report 26)	$ 760,662.52	
Program Support costs (Report 26)	98,886.13	(859,548.65)
Add/(Substract):		
Prior Year's Adjustment:		
IOV's not included in:		
1992	$ 19,692.73	
1990	20,373.17	
1991 Associated Agency credit	272,619.00	312,684.90
Balance at December 31, 1993		$ (106,356.88)
Represented by:		
Accounts Payable (Report 10)		$ (461,506.15)
Due the UNDP		355,149.27
Balance at December 31, 1993		$ (106,356.88)

ARTHUR ANDERSEN & CO.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the European Bank for Reconstruction and Development
and the Board of Auditors United Nations Development Programme:

We have audited the special-purpose statement of status of funds (Statement I) of the European Bank for Reconstruction and Development as executing agency for the TurnAround Management Programme of the United Nations Development Programme as of and for the 10 months ended December 31, 1993. This financial statement is the responsibility of the executing agency's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statement was prepared for the purpose of complying with the Executing Agency Agreement between the United Nations Development Programme and the European Bank for Reconstruction and Development. The financial statement has been prepared in accordance with the format and accounting practices prescribed by the United Nations Development Programme; on such basis, expenditures are recognized when obligations are incurred but revenues are recognized when drawn from the United Nations Development Programme. Accordingly, the financial statement is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the special-purpose financial statement referred to above presents fairly, in all material respects, the status of funds of the European Bank for Reconstruction and Development as executing agency for the TurnAround Management Programme of the United Nations Development Programme as of and for the 10 months ended December 31, 1993 on the basis of accounting described in the preceding paragraph.

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This report is intended solely for the information and use of the European Bank for Reconstruction and Development for filing with the Board of Auditors of the United Nations Development Programme and should not be used for any other purpose.

Arthur Andersen & Co

Phoenix, Arizona,
April 30, 1994.

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STATEMENT 1

UNITED NATIONS DEVELOPMENT PROGRAMME

European Bank for Reconstruction and Development

STATUS OF FUNDS AT DECEMBER 31, 1993
(in U.S. dollars)

OPERATING FUND

Balance at March 1, 1993		$ -
Add: Revenues		
Cash drawings from UNDP	$ 583,000.00	
IOVs	-	
Other charges/credits (net)	-	
Miscellaneous income and exchange adjustments (net)	1,536.04	
Miscellaneous items refunded to UNDP (net)	-	
		584,536.04
Less: Expenditures during 1993		
For projects:		
Disbursements	(424,496.87)	
Unliquidated obligations	(22,011.09)	
For programme support costs	-	
AOS	(44,650.80)	
Additional charge to UNDP resources	-	
		(491,158.76)
Add/Subtract:		
Adjustments to prior year's expenditure	-	
Adjustment to prior year's programme support costs	-	
Adjustments to prior year's AOS	-	
		-
Balance at December 31, 1993		$ 93,377.28
Represented by:		
Cash at banks, on hand and in transit		$ 115,388.37
Accounts receivable		-
		115,388.37
Less:		
Accounts payable	-	
1993 Unliquidated obligations	22,011.09	22,011.09
		$ 93,377.28
